

IFA REPRESENTATION 01/18



Making Tax Digital: interest harmonisation and sanctions for late payment

The IFA welcomes the opportunity to comment on Making Tax Digital: interest harmonisation and sanctions for late payment published on 1 December 2017.

We would be happy to discuss any aspect of our comments and to take part in all further consultations in this area.

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General comments

1. We welcome HMRC's intention as part of the Making Tax Digital project to seek out ways in which late payment interest and penalties across the taxes can be harmonised. Making Tax Digital is the single biggest change to the tax system in a generation and represents an opportunity to simplify much of what is already considered complicated. IFA members also see the proposed changes as an opportunity to make the rules fairer to all concerned and trust that those who are struggling and need assistance will receive help and not be unduly troubled as a result of the changes.
2. Following a survey carried out by the IFA, a number of concerns were raised which is supported by feedback from 58 members. These are detailed below.
 - (a) Are HMRC convinced that their computer systems will be able to cope with the proposed changes? Many IFA members are still not convinced that HMRC are able to cope with the system as it currently stands, what reassurances will HMRC give on how prepared they will be for the changes?
 - (b) Taxpayers are quick to feel the full force of the tax law when they pay late but IFA members are concerned that HMRC are not held to account in a similar manner.

Specific questions

Question 1. Do you agree that in-year QIPs payments should continue to attract differential interest rates?

3. There were 57 responses to our survey, with 33 agreeing that quarterly instalments should attract a lower rate of interest and 24 disagreeing.
4. Some IFA practitioners feel that the size of a company should not dictate the rate of interest that applies to it and that the current practice is discriminatory. However, the majority do accept that there are often numerous changes that occur between the figures that represent the first quarterly instalment and the final figures and that the interest rate is deliberately set lower to reflect that lack of certainty.

Question 2 and Question 3. Do you agree the way interest is charged for CT satisfactorily mirrors the rules contained in FA09? If you do not agree please explain why?

5. 73.68% of members polled agreed that the current income tax and corporation tax interest rules are sufficiently similar.

Question 4. Do the proposals for interest for VAT on late payment of a return reasonably reflect the FA09 rules?

6. 78.57% of members agreed that the proposals reasonably reflect the FA09 rules.

Question 5. Are the proposals for VAT regarding interest on assessments and amendments sensible?

7. 75% of members polled agreed that the proposals are sensible.

Question 6. Do the proposals for interest on a delayed payment of a repayment VAT return reflect the right balance between recompense for customers and the protection of public monies?

8. 78.57% of members agree that the proposals strike the right balance. However, among the comments from members, a common theme that arose is the need for HMRC to also be held to the same standards as taxpayers.

Question 7. Do the proposals for late payment penalties strike the right balance between fairness for those that pay on time and provide a reasonable time for those that need it to arrange payment?

9. 66.67% of members surveyed agreed with the proposals, although there is concern from members over those who are vulnerable and unrepresented and how they will be expected to keep up to date with the changes.
10. What is not clear from this consultation is what will happen to Default Surcharges for VAT. If the intention is to harmonise penalties for late payments, does that suggest that Default Surcharges will be abolished or will they run alongside the proposed changes? If the latter, will this not complicate an already complicated situation?

Question 8. Do you think these general rules provide the correct balance between protecting those that pay on time and encouraging and supporting those that do not?

11. 68.42% of members agree that the proposals achieve their objective, although as with responses to earlier questions, IFA members want HMRC to be held to the same standards that they expect of taxpayers.

Question 9. Do the proposed rules provide the correct balance between protecting those that pay on time and encouraging and supporting those that do not?

12. As with Q8.

Question 10. We believe that late payment penalties should apply from the payment due date. What difficulties, if any, could you see with this?

13. We had an equal split of answers to this question. There are concerns that HMRC's computer systems will not be able to cope with these changes. Some feel that while it is acceptable for interest to accrue from the due date of payment, a certain amount of leeway should be given before penalties begin to accrue.

Question 11. Are there any other specific circumstances that should be accounted for?

14. IFA members on the whole commended HMRC's intention to simplify the interest and penalty position for late payments of tax and VAT.
15. However, one of the common themes among the responses is that HMRC should be held to the same standards as the taxpayer.
16. IFA members also would like to be reassured that those with good compliance records who default due to unforeseen or difficult circumstances will not be unduly penalised. A good interest and penalty system should also reward those who have a good compliance record.

Contact details

17. Should you wish to discuss our responses further, please contact Anne Davis by email at AnneD@ifa.org.uk