

DEALING WITH HMRC

Modernising HMRC

As part of the government's 'Plan For Change', steps are being taken towards modernising HMRC, to improve value for money, enhance efficiencies and support economic growth. Greater innovation, including grasping technological opportunities, is at the heart of this, transforming HMRC into a 'digital-first' organisation. A 'HMRC transformation roadmap' will be published in the summer.

Improving customer service - including with AI

HMRC officials have been undertaking work to learn best practices in customer service from various successful UK brands. This includes trialling the use of generative artificial intelligence (AI) to point taxpayers to the advice they need on GOV.UK.

HMRC is also expected to roll out more widely a system where taxpayers can use their voice as their password to pass security checks faster and more securely.

New PAYE portal

In April 2025, HMRC will launch a new PAYE portal. This is intended to be a new, simple way for 34 million employees and pensioners to check the data that HMRC holds on their employment and pensions, to notify HMRC of any changes, and to find simple explanations to understand the impact of changes on their tax codes.

Tax avoidance and non-compliance

As part of a wider initiative to close the 'tax gap', new legislation will be introduced to further tackle tax avoidance and prevent non-compliance.

Particular focus will be applied to offshore tax non-compliance by the wealthy. HMRC are recruiting experts in private sector wealth management and deploying AI and advanced analytics to help identify hidden funds.

A consultation has also been launched on further tackling those who promote or market tax avoidance or contrived schemes. The proposals give HMRC additional powers and stronger sanctions, enabling them to disrupt the business model that promoters rely on.

Another new consultation considers whether HMRC's powers are effective in dealing with non-compliance that is facilitated by unscrupulous tax advisers.

Tax fraud - new reporting reward scheme

A new reward scheme is being developed to encourage informants to come forward to HMRC about tax fraud. This will launch later this year and target serious non-compliance in large corporates, wealthy individuals, offshore and avoidance schemes.

HMRC compliance activity

In addition to HMRC receiving a budget to recruit and fund new compliance caseworkers and debt collection officers, we are told that the department is also investing in AI to improve the targeting of compliance work and make HMRC more productive.

Collecting taxpayer data from financial institutions

HMRC will continue working with financial institutions to improve the quality of data that it receives about individual taxpayer transactions, for example, bank interest. Improved data will enable HMRC to modernise its services to taxpayers. This includes reducing the admin time needed in preparing a self-assessment tax return, by HMRC automatically pre-populating return areas with information they already hold. Accurate PAYE coding adjustments would be another benefit.

Penalties

Returning to the topic of MTD, the government is increasing the late payment penalties for taxpayers within the MTD regime, whether for VAT and/or income tax. Increased rates will apply from April 2025 or when the individual or business joins the MTD regime in question, if later.

The new rates will be 3% of the tax outstanding where tax is overdue by 15 days, plus 3% where tax is overdue by 30 days, plus 10% per annum where tax is overdue by 31 days or more.

HMRC is also reviewing the penalty framework that applies across the board when a taxpayer either:

- Makes a mistake in a tax return or document; or
- Omits to notify HMRC of circumstances that affect their tax liability.

It is expected that any new regime will continue to distinguish between genuine mistakes (where often a penalty is not charged at all) and conscious attempts to cheat the tax system. Overall, the emphasis is on simplifying and strengthening the penalty system.

Interest on unpaid tax liabilities

From 6 April 2025, the late payment interest rate charged by HMRC on unpaid tax liabilities will increase by 1.5 percentage points. For most taxes, this will set late payment interest at the Bank of England base rate plus 4%.

The above developments reinforce the importance of keeping your tax affairs up-to-date and adequately budgeting for future tax liabilities. Flexible 'time to pay' arrangements can sometimes be agreed with HMRC. We can support you with any of this.