

working together

issue 19

contents

Services for Agents – Update	1
Online Services Update	2
Self Assessment – Response to an Unsolicited Return	3
Contact Details for Reorganising Areas	3
Receivables Management Service and Managing Debt	4
Van Benefit Legislation	6
Handling Your Clients' Payments	7
Standard Accounts Information on Tax Returns – Boxes 3.51 and 3.33	7

Services for Agents - Update

This article is to update you on developments on new and existing services for tax advisers.

Recently, the Inland Revenue held a 3 day workshop at which tax advisers, Working Together partners and senior managers from the Inland Revenue and HM Customs and Excise discussed ways in which to improve interactions between tax advisers and the Revenue and Customs, and reduce costs on both sides.

Dave Hartnett, the Inland Revenue Board sponsor, gave his support to the initiative saying, "agents are the key to making the system better. I can think of no better group of people to help us. ... My personal commitment is that I will do everything I can as a Board member to keep this moving."

Three broad groups of activity are being taken forward following the event and much builds on work done through Working Together.

Agent Authorisation

A revised authorisation process to replace the current 64-8 process is being designed with the e-channel in mind.

Telephone

We realise that agent needs for telephone contact differ from other customer groups, and solutions are being discussed which will make the experience when calling Inland Revenue Contact Centres more efficient for agents. Details of these will be available in the new year.

Better Alignment with Agent Processes

Work is currently underway to design and develop online services to meet agents' needs more closely. We are investigating ways to make communication processes – both ways – more streamlined and more accurate. Tax advisers will be involved in the design of services so that they go with the grain of the way they organise their work. For example, it might be more straightforward for some of you to communicate from your accounting software systems to our systems.

Consultation and Working in Partnership

Tax advisers told us they wanted early and continuous involvement in the design of new services. Some of this is already facilitated through Working Together. In addition, the Revenue is setting up a new website where it will be able to work collaboratively with tax advisers on new services. This will enable the rapid exchange of ideas and iterations and an open dialogue between both sides. One of the key tenets of this work going forward is that we must work collaboratively to develop our services, so that we ensure that they meet both the needs of tax advisers as well as those of the Department. We will let you know, through Working Together, when the site is ready to go live.

Online Services Update

A growing number of tax advisers are already using the Revenue's current online services. During 2003-04 we have so far received

- 188,871 agent SA Returns via the Internet, making this the fastest growing area of the Revenue's online services. This compares with 60,318 at the same stage last year.
- 121,188 SA Returns via ELS compared to 128,261 at the same stage as last year.

Further enhancements to our online services is included in the development work mentioned above. We would like to answer some of the questions received from local Working Together meetings.

Why are some of my clients missing or their details incomplete on the Inland Revenue website?

If you are having problems viewing some of your clients on the Revenue website, the following reasons may explain why this might be happening.

- **Your firm has multiple SA agent references.** Some agents have multiple SA agent references for the same address (e.g. you may have merged 2 offices). Currently your online credentials can only support one reference for each of the main services (CT, PAYE and SA). If you have multiple references you can either create separate credentials (user id and password) for each reference or alternatively contact your local agent maintainer to consolidate your agent references.
- **Your CT clients have authorised two agents.** Where a client has authorised more than one agent (e.g. for different accounting periods) neither agent can view the client's data at present.

- **64-8s or FBI2 authority not yet processed.** Your client's details will not appear on the client list until authority to file on their behalf has been processed. You should check with your local Tax Office for any missing records.
- **Names not showing in no address cases.** If we do not have a current address for your client, the list will only show the UTR (Unique Taxpayer Reference) and not their name. If this is the case you or your client should contact us to tell us their correct address.
- **Your firm has multiple users and assistants.** If you have set up multiple users and assistants within your organisation you can also assign clients to an individual user or assistant. This means that when a user or assistant logs in on the website, they can only see clients that are assigned to them and not their colleagues.

Why are the SA Statements online not up to date?

The statements available online are electronic copies of the paper statements and, as such, they reflect the account position at that date. We have developed a "real time" statement that is currently available to individuals (agents who are SA taxpayers can view these by registering and logging in as individuals – as opposed to agents). There is also a demonstration available on our website at www.ir.gov.uk/individuals/onlinedemo/home.htm.

This service enables you to view SA accounts by tax year, view latest balances and drill down into penalty and interest calculations and see how payments have been allocated. We are planning to release this service to agents to enable them to see their client's SA accounts in 2005.

Access to your services require 64-8s (and FBI-2s for PAYE), to have been processed quickly. Why isn't this happening?

We have recently reviewed our processing of 64-8s and there are a variety of initiatives underway to address this issue. We have cleared the recent backlogs and plan to centralise the processing of these forms.

I want to submit supplementary information with the Return, how do I do this when I file online?

This year we have increased the amount of "white space" on the Internet Return. You can now add up to 180 lines of text in each box. We would recommend this approach as this information is captured onto our systems and is immediately available to staff. We recognise agents may wish to send in information which cannot be contained in the white spaces, such as computations. Currently we do not accept electronic "attachments" to Returns, but you can post any additional information as long as it is received within 30 days of filing the Return.

We are working with tax software vendors and agents to determine how we could support electronic attachments to online Returns in the future.

I get confused between the Government Gateway and the Revenue's website, which one should I use?

Agents no longer need to visit the Government Gateway for the majority of their online dealings. Registration, changing passwords and viewing of client lists can be done on our website <https://online.inlandrevenue.gov.uk> with a more user friendly interface – for example client lists include names and UTRs and can be downloaded into your own software. The only exception is the setting up of assistants who may have access to a subset of your clients. This can currently only be done on the Gateway (a link is available on the Revenue's website).

Self Assessment - Response to an Unsolicited Return

When the Revenue receives an unsolicited Return and it is considered to be in the proper form, a letter will be issued (copied to the tax adviser) to

- acknowledge receipt of the Return **and**
- advise that unless we hear to the contrary within 30 days, the Return will be treated as if it were in response to a notice to make a Return.

Our Area Offices have been issued with the following suggested wording:

"Thank you for your Tax Return for the year ended 5 April... which we received on..."

We did not send you a notice to make a Tax Return, but I assume that you would like us to treat the form like any other Tax Return. Unless I receive an objection from you within 30 days of the date of this letter, I will treat the form

for all purposes as though it had been sent in response to a notice from us requiring you to make a Tax Return. We will then record the entries on your Return and treat it in the same way as any other Tax Return."

Where the Return is received after 31 January following the end of the tax year, the following wording will be added:

"I will treat the Tax Return as though you made it in response to a notice from us, which required you to deliver it to us by the date we received it."

This article is published in response to feedback from the Working Together group in Northern Ireland Counties Area.

Contact Details for Reorganising Areas

Tax advisers will be aware that the Revenue has been reorganising its Area Offices over the past three years. These reorganisations usually mean a change in telephone numbers and office names and addresses. Those offices involved in reorganisations have been writing to as many of their tax advisers as possible to let them know about the changes in advance. However, we know from your feedback that we have not always managed to reach every tax adviser who deals with each office, so we thought it would be helpful to list the reorganisations planned for the next few months.

New contact details for each of these should appear on the Revenue website on the dates shown below. So if you do not receive a letter outlining the changes from the Area itself, please check the website, by clicking on the contact us link in the green border at the top of the front page. If you want to contact us by phone, the link will take you to a choice of general enquiries, specific enquiries or forms and stationery orderlines. If you want to contact us by post you will be offered a choice of customer group: individuals, employers or businesses and corporations. Click on your client's customer group and you'll find the contact details you need.

Entries for a number of closed London offices show only telephone numbers. Due to relocation of London work to various other offices we recommend that you ring the relevant telephone, number provided. If your query cannot be resolved by telephone the adviser will provide you with the appropriate correspondence details.

A further list of reorganisations planned for March 2005 will appear in February's edition of Working Together.

Area Office	Local Area Offices affected	New Area Name	Ready for service
York	Bridlington, Scarborough, Ripon, Harrogate	North Yorkshire	15 Nov 04
Nottingham	Alfreton, Derby, Mansfield, Newark	Nottingham Derbyshire	29 Nov 04
Reading	Newbury, Windsor, Slough	Berkshire	6 Dec 04
East Kilbride	Centre 1, Glasgow Blythswood	Centre 1	13 Dec 04
Bradford	Halifax, Huddersfield, Keighley, Skipton	W Yorkshire and Craven	20 Dec 04
Sunderland	Durham, Chester le Street, Gateshead NICs	Wear & South Tyne	10 Jan 05
Wolverhampton	Telford, Shrewsbury (IREC), Oswestry, Walsall	N W Midlands	17 Jan 05
Edinburgh	Castle View, Lothians, Glenrothes	Lothians	14 Feb 05

Receivables Management Service and Managing Debt

Introduction

The Receivables Management Service (RMS) was created as a separate business stream within the Inland Revenue in April 2001. It brought together Recovery Offices, Accounts Offices, Receivables Telephone Centres, and Enforcement Offices in England, Wales, Scotland and Northern Ireland as one Receivables business service.

RMS is part of the Inland Revenue's National Services, which includes Inland Revenue Contact Centres, National Insurance Contributions Office, Tax Credit Office and Child Benefit Office. It works closely with other parts of the Department and maintains its close traditional links with Local Services and Large Business Office.

Its Purpose

The Department's core purpose is ensuring that everyone understands and receives what they are entitled to, and understands and pays what they owe so that everyone contributes to the UK's needs. RMS's role is to receive payment and account for tax and other liabilities and to take appropriate action to bring in late returns and payments.

RMS is committed to enabling our customers to comply with their payment and filing obligations. We make early contact with customers who don't comply in order to

- identify and help those in difficulty
- enforce payment and filing from those who refuse to comply

Operational Structure

RMS has two major operational arms, the Accounting and Payments Service and the Debt Management Service.

The Accounting and Payments Service annually receives and accounts for

- £170 billion PAYE and National Insurance
- £28 billion Corporation Tax
- £18 billion Self-Assessment Tax

The Debt Management Service is responsible for pursuing debts in respect of PAYE/NIC (Class 1), Corporation Tax, Self Assessment, overpaid Tax Credits and Child Benefit, interest, penalties and other National Insurance Contributions.

It is also responsible for pursuing over one million Self Assessment Returns and provides specialist insolvency and voluntary arrangement services.

RMS Approach to Debt

The Debt Management Service itself consists of three major strands

- Receivables Telephone Centre
- Recovery Offices
- Enforcement and Insolvency Service

Customers who do not pay on receipt of Statements of Account or other payment applications will have dealings with one or more of these areas. Where debts remain unpaid our initial approach is to contact the customer by telephone. This may be through our Receivables Telephone Centre or the local Recovery Office.

RMS's fundamental approach to debt is that:

- where the customer has the means to pay in one sum we expect them to do so
- where we accept that the customer is unable to pay in full we will try to negotiate an arrangement to recover the debt and, where appropriate, secure future compliance
- where we are unable to negotiate an arrangement or where payment is refused or where our contacts are ignored then we will use the enforcement methods available to us to recover the debt.

Where customers are unable to pay in full they should be encouraged to contact RMS at the earliest opportunity. They should contact the office from which they have received the most recent communication.

Time to Pay

RMS may consider time to pay either as the result of an approach by the customer (or their authorised agent) or when contacting the customer in pursuit of payment. In either event RMS staff will use telephone debt management skills to determine whether the customer is a "can't pay" or a "won't pay". It is impossible to provide a simple rule of thumb for differentiating between the two. The decision will be based on detailed questioning including the availability of funding and assets.

Interest is a statutory charge and cannot be waived or frozen, as can be the case with some creditors.

Where help is to be given, it will be conditional on the immediate submission of any outstanding returns (in order to determine the true liability), and the timely submission of

future returns. There are no prescriptive time limits, as payment plans need to be based on ability to pay. But for a Self Assessment customer with continuing liability we would look to them returning to a compliant state, i.e. being able to pay in full on the due date, within as short a period as possible but certainly within a maximum period of three years. This would mean including debts arising during the interim period within the payment plan. Outside of the three-year timespan we would consider bankruptcy as an option.

Whilst payments due from employers mainly represent deductions from employees we do not preclude helping such businesses overcome temporary difficulties but we would look for such debts to be cleared within a maximum of 12 months with payment of current deductions, and submission of any returns, being an absolute condition.

Where agreeing to a payment plan which extends for more than three months we will seek and record comprehensive details of income, expenditure and assets to enable us to agree a repayment figure. Arrangements are always confirmed in writing and are subject to periodic review.

Speaking to Tax Advisers

RMS staff will talk to authorised agents either where our records indicate that a form 64-8 is held or where we receive written authority from the customer. This will include discussion of time to pay.

We do not normally copy letters to agents. Where an agent is negotiating time to pay on behalf of a client we will write to the agent and copy to the customer, who is ultimately responsible for payment.

We do not normally involve tax agents when pursuing payment. We view the debt as being the direct responsibility of our customer and look to the customer for payment. However as the result of agent input within Working Together we are currently looking at whether agent involvement would be either feasible or desirable.

Integrated Debt Management

As IT systems for different categories of debt have been developed at different times, we are not always in a position to link all debts from the same customer. For several years we have been developing an integrated debt management system designed to link all debts at the time they are referred to the Debt Management Service. PAYE, Corporation Tax and a number of miscellaneous debts are already linked. Later this year overpaid tax credits will be included and from 2005, Self Assessment debts will be added. Even when our debts are fully integrated, we must

accept that as they arise at different times of the year, it will not always be possible to co-ordinate action to the extent we would like. In the meantime we do endeavour to deal with the whole case wherever possible.

Recovery Proceedings

Where customers ignore our contacts, or where we are unable to negotiate or maintain a payment plan we will take recovery proceedings. Our processes are designed so that we take proceedings as swiftly as possible. We always advise the customer of our intended course of action by way of a final warning letter. We are currently working on a series of factsheets to accompany these letters. The factsheet will explain a little more about what the intended course of action entails and what the customer can do.

Our recovery options are

- distraint – where we are empowered to seize goods belonging to the customer and sell by public auction in the absence of payment within 5 days (England, N Ireland and Wales)
- proceedings in the Magistrates' Court (England, N Ireland and Wales)
- proceedings in the County Court (England and Wales)
- Sheriff Court proceedings (Scotland)
- insolvency/bankruptcy proceedings

Tax Credits

The Revenue's approach to overpaid tax credits is summarised in Code of Practice 26 – "What happens if we have paid you too much tax credit?"

Wherever possible an overpayment will be recovered from a continuing award. For overpayments arising in 2003-04 and 2004-05 where direct payment is sought, customers will have the option to pay in 12 monthly instalments without the requirement to provide details of income and expenditure. If customers are unable to pay within 12 months our normal time to pay procedures will apply.

Van Benefit Legislation

From 6 April 2005, employees who have private use of a company van and are currently charged with a benefit in kind of £500 (or £350, depending on the age of the van) will have that charge reduced to nil if

- they have the van mainly for business travel and,
- any private use other than for journeys to and from work is insignificant.

Home to work journeys are still considered to be private use, but the new rules allow employees to use their van for those journeys without paying tax.

And where there is no tax charge on the van there will be no Class 1A charge either.

The word "insignificant" is not defined, so it takes its normal English meaning. For example, the New Oxford English Dictionary defines it as, "too small or unimportant to be worth consideration".

Private use will be considered "insignificant" if it is

- insignificant in quantity
- insignificant in quality
- intermittent and irregular
- very much the exception in terms of the pattern of use, of that van, by that employee, in that tax year

Inland Revenue staff would use common sense in applying the test, considering the nature of the business and the use to which the van is actually put.

Employers should keep sufficient records to demonstrate that private use is restricted to home to work travel. This might include clauses in employment contracts or statements of company policy on private use. Evidence that company policy is being adhered to should also be retained. For example, records that show mileage is reasonable in the context of a particular business

If any of employees meet the conditions for a nil charge from 6 April 2005, we are asking for

- the employer's reference number
- the names of all van users
- their National Insurance Number

We can then change their tax code so they pay the right amount under PAYE. Our annual re-coding exercise starts in January, so we are asking for this information as soon as possible.

Handling Your Clients' Payments

We have published a number of articles about the problems caused for the Revenue, tax advisers and their clients where the wrong payslip is used by tax agents when sending payments to the Revenue. This message is to remind tax advisers of the need to use the correct payslip for each individual client.

Unfortunately there is still a high percentage of tax advisers who continue to use the wrong payslips for their clients. Indeed one of the main causes of repayments made in error by the Accounts Offices is due to the wrong payslip being used when a payment is made.

Standard Accounts Information on Tax Returns – Boxes 3.51 and 3.33

We intend to change the guidance on boxes 3.51 and 3.33 for 2004-05 (which will be issued in April 2005). Current advice (Page SEN8 of the Notes on Self-employment and Partnership Tax Return Guide page 11) is that where there is no balance sheet, the trader's, or partner's, own wages, drawings, National Insurance costs etc. should be included in "Employee costs" in box 3.51 and again as disallowable expenses in box 3.33. We do not believe that this advice has been widely followed, and it is not in accordance with accepted accountancy practice. We are therefore changing the guidance to say that these costs should be excluded from both boxes 3.51 and 3.33. This will have no effect on the overall net profit or loss for tax purposes and we will not reject cases where the previous advice has been followed, but would expect that there will be a change to the new basis in affected cases as the revised advice becomes known.

editorial

Working Together is a partnership with the CIOT, ICAEW, ATT, ACCA, ICAS and AAT. Although the material in this publication obviously reflects discussion and consultation with these bodies, the Revenue is solely responsible for its contents and for the views expressed in it.

contact details & back issues

Back issues can be downloaded from our featured area on the Revenue website

www.inlandrevenue.gov.uk/workingtogether/publications/index.htm. If you would prefer a paper copy, please write to or email the address below. Working Together is covered by © Crown Copyright. There is no objection to firms copying the publication for their own use. Anyone wishing to re-publish Working Together or extracts more widely, should write for permission to

Greig Rattray, Working Together Team, 5S South West Wing, Bush House, London WC2B 4RD
or email: Greig.Rattray@ir.gsi.gov.uk.