

Digital by Default

Summary of Responses
29 February 2012

Contents

1	Executive summary	3
2	Introduction	5
3	Detail of responses	6
4	Other issues raised	17
5	Next steps	18
6	List of respondents to the consultation	18

On request this document can be produced in Welsh and alternative formats including large print, audio and Braille formats

1. Executive summary

Background

- 1.1 A new approach by the Government to move transactions to digital channels was announced on 23 November 2010 by the Minister for the Cabinet Office in response to a report by Martha Lane Fox, the Government's digital champion.
- 1.2 The announcement signalled a shift from a 'multi-channel' approach towards one where delivery of public services would be shaped by a presumption that the service would be delivered by digital means, with processes modified as necessary to support the use of digital channels.
- 1.3 That does not mean wholesale phasing out of traditional methods of delivery, nor that they will be consciously de-prioritised, rather that the process of delivery will be designed around digital channels (Digital by Default).
- 1.4 The policy applies to all Government transactions, including HMRC's. The Online Tax Registration Service (often known as Registration Wizard) being built under the One Click programme was selected as HMRC's first Digital by Default deliverable. But before implementing HMRC wanted to consult.
- 1.5 HMRC published two parallel consultations on 8 August 2011 seeking views on the principles to be applied as HMRC implement the policy on a day to day basis. One sought views on Value Added Tax (VAT). This consultation concentrated on the other main, essentially direct, business taxes (and Class 2 National Insurance). A summary of the VAT responses can be found at: http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_031788].

Summary of views expressed

- 1.6 HMRC received responses from 15 professional institutions and representative bodies and 4 responses from businesses and individuals (listed at section 6). The general tone of responses can be summarised as:
 - respondents generally supported Government efforts to shift delivery of services to digital channels;
 - they agreed Government should be encouraging take up of digital use among businesses;
 - the majority did not favour the statutory mandatory approach because some will face significant obstacles in using digital (online) channels particularly:
 - those in rural areas, with poor or unreliable broadband;
 - those either without IT skills or preferring traditional channels (including the elderly);
 - those with disabilities;
 - those on low incomes/profit margins, unable to afford computers and/or professional help;
 - those with religious or cultural barriers.

- 1.7 There were some suggestions as to what support would enable these groups to 'assist themselves' to use digital – but the point was also made several times that no matter what level of support was offered, there would always be some for whom using online services would never be possible.
- 1.8 There was a spectrum of support as to the extent traditional channels remained open. This ranged from no diminution or disincentivisation of paper compared to online, to those who favoured a carrot and stick approach perhaps along the lines seen on ITSA (Income Tax Self Assessment) of longer time to submit registrations compared to traditional channels.
- 1.9 Two other aspects emerged as recurring themes. First, that the best way HMRC could incentivise the use of digital channels was to improve the online offering, making it more attractive and user friendly. A number of respondents challenged the statement in the Consultation Document that current offerings were a success, citing for example the recent delay in implementing rate changes in the CT online filing system.
- 1.10 Respondents also said users must have confidence HMRC's IT systems were fully secure particularly in areas such as the filling in of bank details. People would not give information unless they felt it was safe from cyber theft. (It is worth noting in fact no one, as far as we can ascertain, has ever suffered a financial loss or their confidentiality put at risk as a result of any breach of HMRC online systems).

HMRC response

- 1.11 HMRC is very grateful to the many Agents, professional bodies and other organisations who engaged with the consultation. Despite expressing some concerns, respondents engaged positively. Their feedback has been very valuable to HMRC in identifying those areas where there is a broad consensus and identifying the concerns HMRC need to address.
- 1.12 Publication of these responses is the next step in the process, after which will follow a period of intense work in HMRC as we work to translate the principles of Digital by Default into changes on a practical day to day level.

2. Introduction

Background

- 2.1 HMRC has for some years been moving more and more of its services to delivery by digital and online channels including implementing Lord Carter of Coles' 2006 Report.
- 2.2 The subject matter of this consultation followed an announcement by the Minister for the Cabinet Office, Francis Maude's on 23 November 2010 of a new approach to digital delivery, Digital by Default.
- 2.3 Consultation to obtain views on making One Click's Online Tax Registration Service (OTRS - Registration Wizard) the digital by default channel to get set up for the main direct business taxes (Corporation Tax, Income Tax Self Assessment/Class 2 NICs, PAYE) was launched on 8 August 2011.
- 2.4 The Consultation afforded us the opportunity to seek views on some other matters. XBRL tagging and small repayments were broached on Corporation Tax and how we can improve our service on ceasing businesses for Income Tax and PAYE. We also sought views on providing email addresses as part of a business's designatory data. A separate but linked consultation on VAT aspects was also launched. A summary of responses is at http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ConsultationDocuments&propertyType=document&columns=1&id=HMCE_PROD1_031788].

Context

- 2.5 From April 2012, businesses will be able to get set up for the main business taxes using a single, interactive online facility, the Online Tax Registration Service (OTRS). From 2013 the OTRS will be the default method for businesses to notify HMRC when they potentially become liable to tax (and Class 2 NICs).
- 2.6 Minister for the Cabinet Office said:

"The shift towards online services has the power to transform the relationship between Government and individuals.....This does not mean we will abandon groups less likely to access the internet: we recognise that we cannot leave anyone behind. Every single Government service must be available to everyone – no matter if they are online or not."
- 2.7 It was in this context, that the consultation sought views on striking the balance and the best way to provide cost effective support and assistance. Online engagement is for many already the default channel. We want to encourage that migration further.

3. Detail of responses

- 3.1 HMRC received 19 responses, listed in section 6, including 3 from individuals. This document collates those responses and HMRC's reaction to them. This section deal with each of the individual questions including the draft initial Taxes Impact Assessment. Chapter 5 sets out the next steps.
- 3.2 Overall there was universal support to reduce the number of forms needed to register a new business and the move towards a 'One Click' registration model for all taxes. There was general support for Government efforts to move tax registration to digital channels and that Government should encourage take up of digital use among businesses.

Question 1: HMRC would welcome views on the balance between a statutory and non statutory approach to making the digital channel the default option for obtaining CT information?

- 3.3 All bar one respondent expressed support for the decision not to mandate businesses to use the OTRS system, the exception pointing out that mandation carried certainty. One respondent felt that if broadband was universally available across the UK, a statutory approach could be justified but another felt providing for exceptions in statute would make it the legislation unwieldy.
- 3.4 A number of respondents emphasised the need for HMRC to make their services easy and intuitive to the user, so that people naturally wanted to use digital and the point was made that mandation, took pressure off HMRC to raise standards.
- 3.5 Several respondents thought HMRC should retain paper channels (in one case permanently) for those who choose or need them while others suggested a bedding-in period if forms were to be withdrawn. It was also pointed out that retaining paper also gave HMRC a measure of flexibility in case problems arose on the digital channel.

HMRC response

- 3.6 We are grateful for these comments. No statutory framework will be contemplated before OTRS has bedded in, and none introduced without further consultation. Paper channels will be maintained at least for the time being.

Question 2: If respondents favour a non statutory approach, we would welcome suggestions on the most effective way this might be achieved?

- 3.7 There were a range of suggestions. The overall impression is that HMRC need to find a balance between carrot and stick with more emphasis on the carrot than the stick. Two respondents suggested looking again at financial incentives to achieve a shift, and pointed out that although previous attempts had been exploited (eg PAYE) they had achieved their goal.

- 3.8 A number of responses felt if the OTRS was so much better than the paper process, then people will naturally migrate toward it. It should also include a 'save' facility with a slimmed down version available for Agents and as one respondent put it, "digital should be made easier not non-digital harder."
- 3.9 Overall a majority were in favour of allowing paper registration, even if this amounted to sending a letter. This came back to the fact that if the online alternative was good enough, then demand would follow naturally. For those who were unlikely to ever embrace the new technology then effective support channels should be put in place. Suggestions ranged from workshops to telephone support through to the financial incentives mentioned above.

HMRC response

- 3.10 We are grateful for comments. Feedback from early user-testing of OTRS and 'One Click' has been positive. We will monitor users' experience when it goes live and take all these factors into account before making further changes.

Question 3: We would welcome views on getting the balance right between the spirit of Digital by Default and providing an 'Assisted into Digital' alternative in a narrow range of cases?

- 3.11 The responses set a cautious but positive tone. One suggestion was HMRC should set a target that OTRS is quicker to complete than paper equivalents with no workarounds necessary to complete it. Another suggestion was to use inducements for registering online such as extended filing/payment periods.
- 3.12 A recurring theme was to pitch publicity at the right level with consistency of message, and a further suggestion of a period of intensive analysis involving users following go-live to develop and improve the service. A number of responses reiterated the need for good (ie unambiguous) guidance with helplines if necessary manned by users with experience of the system.
- 3.13 Respondents were in favour of retention of non digital channels, with some suggesting no de-prioritisation of non digital channels, to others who suggested that they should be the method of last resort. More widely the Government should address the issue of patchy broadband coverage.
- 3.14 There was also a suggestion for a 'partial digital' approach so that HMRC accept completion of those parts of a digital form the user can complete.

HMRC response

- 3.15 We are grateful for comments. Getting a sense of strength of the feeling for non digital channels is extremely helpful. We recognise the issues with broadband speeds and we will take that into account as we work through more detail of the form 'Assisted into Digital' should take.

Question 4: Are there particular groups who will be impacted by CT Digital by Default more heavily? What mitigation strategies might assist?

- 3.16 Responses cited a range of customer groups, including those with no or sub-standard access to broadband services in their area, particularly in the countryside; the elderly and people with disabilities; those on low incomes without computer equipment; and those with poor IT or related skills.
- 3.17 Suggested mitigations included improving digital facilities to make them very easy to use and provision of alternative channels. It was also suggested that targeted education and support should be provided before adding any more compulsion. A few responses referred to those with religious convictions opposed to the use of particular technologies.

HMRC response

- 3.18 On basis of responses HMRC believes it has identified the groups within the business population for which Digital by Default will raise the most issues. Exemptions on religious or cultural grounds will be recognised.

Question 5: HMRC would welcome views on the considerations that should be taken into account when deciding the period for which the minimum tagging list for accounts should continue to apply?

- 3.19 All responses on this question favoured extending the planned life of the existing minimum tagging list beyond April 2013. Suggestions ranged from a short extension to retaining the existing list indefinitely.
- 3.20 Several respondents asked for any changes in this area to be coordinated, to minimise the cost and inconvenience of change. In particular, it was said that there should be no move to require more extensive tagging of accounts until proposals to extend use of the IRFS to medium sized companies have come into force. It was also suggested that any change should be aligned with adoption of XBRL by Companies House.
- 3.21 Some respondents said that particular consideration should be given to the capabilities of software houses; others questioned HMRC's ability to make effective use of the data it is already receiving.
- 3.22 Other respondents said that there were inconsistencies in the existing requirements for tagging detailed profit and loss account information between the accounts and tax computations taxonomies.

HMRC response

- 3.23 The introduction of XBRL tagging in Company Tax Returns has been a new challenge for HMRC, companies, their advisers and software suppliers. Much has been achieved already but everyone is still learning and improving.

- 3.24 HMRC has already received over one million online Company Tax Returns since April 2011 and is making use of the XBRL data they contain. Returns are subjected to risk profiling made possible by XBRL and new tools are being rolled out to compliance staff to enable them to apply specific risk rules to specific returns.
- 3.25 HMRC has received many representations outside of this consultation about the nature of the ideal accounts tagging requirement, what standards are expected in meeting it, and the costs involved. HMRC will be responding in a variety of ways, particularly in promoting a clearer understanding of the standards expected. And HMRC is working with software suppliers to help them improve their products.
- 3.26 HMRC agrees the need to improve the consistency of the requirements for tagging profit and loss account items between the accounts and the tax computations, and has already started that work with the possibility of making an improvement in October 2013. Any resulting change will be preceded by appropriate consultations.
- 3.27 Beyond that, the goal is a comprehensive statement of required tagging standards for tax compliance purposes. Other significant developments, including IFRS and the position of other parties using, or proposing to use, XBRL (including Companies House), will be taken into account before implementing any further changes.

Question 6: HMRC would welcome views on two alternatives for making the deferral of CT payments below a specified amount, the default position. Either:

- 1. no payment under a specified amount would be made (unless the company requested it). In effect, small payments would be deferred automatically; or**
- 2. payments under a specified amount would be made automatically by electronic means if the company had provided bank account details or deferred where no bank details are provided (subject to a specific request for repayment by payable order).**
- 3.28 Many responses recognised the benefits of electronic payment. However, there was some comment that companies should not be compelled to provide bank account details or to accept electronic repayment if they did not want it, and that one size does not fit all so a degree of flexibility is needed.
- 3.29 No respondent favoured option 1 over option 2. Of those who preferred one to the other, all preferred option 2. One response included a request that HMRC include a facility for the company to request payment of the repayable amount to charity.

HMRC response

- 3.30 The company tax return form (CT600) already includes the facility for a company to indicate that it wants any overpayment below £20 to be retained by HMRC and set off against future liabilities, and to specify a higher figure than £20 for this treatment. This will not change.
- 3.31 In the light of the responses to this consultation, HMRC will change its computer processes so that amounts of less than £20 will only be paid by cheque if the company specifically asks for that. Otherwise, the payment will be made electronically if the company provides bank account details on the return form. If it does not, the overpayment will be set off against future liabilities. HMRC expects to make this change in October 2013.
- 3.32 Companies will still be able to specify a higher sum below which no repayment will be made and the money retained and set off against future liabilities.
- 3.33 It is already possible for a company to specify a nominee to receive a repayment due to it.

Question 7: What might be an appropriate specified amount, under such a proposal? Would £250 seem a sensible level?

- 3.34 One response agreed with £250. No other response favoured an increase of this size. Of the 11 respondents who suggested a figure, one proposed £100 with the rest split between retaining the existing figure or raising it to £50. One respondent felt that all repayments should always be made, however small.

HMRC response

- 3.35 There is already the facility for a company to specify a higher figure individually. HMRC has therefore decided that there is insufficient support to justify changing the general threshold, which would have an implementation cost. Even the smallest repayment will be made if the company requests it.

Question 8: HMRC would welcome views on how to get more companies to supply details that would allow them to receive electronic payments for any amount as a default, without compromising any essential security or other considerations?

- 3.36 There was a tension in the replies between recognition that the most effective way of increasing uptake is to make electronic repayment the only channel, or at least the default and the priority to keep sensitive information like bank account details secure.
- 3.37 One suggestion was to create an option within the existing online View Liabilities and Payments facility for a company to enter bank details and generate the payment, rather than sending these details via the return form. Another suggestion was that HMRC might request these details once and hold them, rather than requiring them on each return.

HMRC response

- 3.38 As there is no strong consensus on a specific option, and there would be considerable cost implications in any strategic solution, HMRC will make no changes in this area at least until the impacts of the change to small repayment processes explained above have bedded in.
- 3.39 In the mean time, HMRC will continue to explore options in consultation with interested external parties.

Question 9: Are there circumstances where HMRC should not require an email address as part of a company's designatory details?

- 3.40 There was no support for any move to mandatory provision or use of an email address and a number of strong objections. Several respondents expressed concerns about the security of email, about the growth of scam email contact and the security of emailed correspondence. Others were concerned about those without access to email technology.
- 3.41 There were a number of specific concerns about detail, such as companies with multiple email addresses, the high likelihood of addresses changing and the monitoring of individual email accounts while the main user is away.

HMRC response

- 3.42 HMRC recognises the importance of the issues raised in these responses and will take them into account in future thinking about the use of email. No change will be made without detailed consultation with interested parties.

Question 10: HMRC would welcome views as between a statutory and non statutory approach to making the digital channel the default option for registering for ITSA?

- 3.43 Responses followed a similar pattern to Question 1. Issues on universal access to broadband were raised and that a statutory approach would reduce the incentive for HMRC to provide a user friendly digital channel. There was a concern at the greater number of non computer literate individuals found in self employment (in comparison to say CT) and that this needed to be factored in.
- 3.44 Respondents who commented favoured keeping non-digital channels open. There was some concern though that bringing all taxes together and making tax registration easier may mean individuals signing up for taxes that they didn't need to (eg VAT).

HMRC response

- 3.45 We are grateful for comments. HMRC accepts particularly on ITSA, that there is little appetite for a statutory framework for tax registration and that paper channels should be maintained. No statutory framework for registration therefore will be introduced at the present time though the situation will be kept under review, and may be revisited in the future. However, there would be consultation first.
- 3.46 No decision will be made regarding paper channels until OTRS is operational and has bedded in and levels of take up/feedback analysed with paper channels retained for the foreseeable future. But no special effort will be made for non digital channels to benefit from the improved processing times gained by those registering digitally. HMRC will seek to encourage businesses that want to register to make use of the online system.

Question 11: If respondents favour a non statutory approach, we would welcome suggestions on the most effective way this might be achieved?

- 3.47 Responses broadly followed the pattern of responses to Question 2. The main theme was that the greatest incentive for people to use digital channels was that there were the best and easiest means to register for taxes. If digital is made easier, not non-digital harder, people will naturally migrate toward it.
- 3.48 A majority favoured retaining a paper channel, even if this amounted to sending in a letter. For those who were unlikely to ever embrace new technology then effective support channels should to be put in place. Suggestions ranged from workshops to telephone support through to the financial incentives. The online portal should include a 'save' facility with a slimmed down version available for Agents who will be repeated users of the system and familiar with it.

HMRC response

- 3.49 We are grateful for comments. OTRS and 'One Click' is a big step in the right direction and feedback on early user testing has been positive. We will carefully monitor users' experience when it goes live and take all these factors this into account before making further changes.

Question 12: We would welcome views on how HMRC can best provide an 'Assisted into Digital' support?

- 3.50 There were a range of responses. Several mentioned looking at having some sort of differential filing/payment periods as exist for filing online ITSA returns. A number of respondents mentioned the need to get publicity pitched at the right level with consistency of message and a suggestion of a period of analysis involving users following go-live to develop and improve the service.

- 3.51 Respondents were in favour of retention of non digital channels, with some suggesting no de-prioritisation of non digital channels. A number of responses reiterating the need for good (ie unambiguous) guidance possibly with dedicated help to manage the transition to digital.
- 3.52 The issue of issue of patchy broadband coverage came up in a number of responses.

HMRC response

- 3.53 We are grateful for comments. Getting a sense of strength of the feeling for non digital channels is extremely helpful. HMRC is keen to ensure that 'Assisted into Digital', supports the least able, while engendering a change in mindset to maximise use of digital channels for which processes will be increasingly designed.
- 3.54 We will take account of the quality of broadband coverage as we work though the detail however, the case for retaining parity between digital and non digital channels beyond the immediate horizon, looks hard to sustain.

Question 13: Are there particular groups for which ITSA Digital by Default will impact more heavily? What mitigation strategies might assist?

- 3.55 Responses picked up the main groups. Specifically
- Businesses in remote, rural locations that have limited data transfer or bandwidth usage;
 - Unrepresented businesses;
 - People for whom English is not the first language;
 - Those that cannot use the digital channel due to age, disability, health;
 - Low income taxpayers possibly with multiple sources of income;
 - People who are not computer literate;
 - People with religious reasons for not using computers.

HMRC response

- 3.56 On basis of responses HMRC believes it has identified the groups within the business population for which Digital by Default will raise the most issues.

Question 14: Are there circumstances where HMRC should not require an email address as part of the requirements for registering for ITSA?

- 3.57 There was universal agreement against a mandatory requirement to provide an email address. The reasons given were concerns around the security of the data in email and the growth of scam email contact. It was also pointed out that contact emails may not be regularly reviewed, and that there was concern about those with limited access to email technology or broadband coverage. There was some support for using email in certain circumstances that could enhance and speed up communication.

HMRC response

- 3.58 HMRC recognises the importance of the issues raised in these responses and will take them into account in future thinking about the use of email. From separate feedback we are very aware of concerns about the risks associated with phishing attacks and online fraud. However, we also know that more and more people (including Agents and Employers) want to transact with us routinely via email. There have been some successful pilots but of course if these are to go further we will need a means of obtaining valid email addresses. Until we can resolve these tensions, no change will be made without consultation.

Question 15: De registration: HMRC would welcome views how best to proceed in this sensitive area when one timely notification could save much wasted administration and circumvent considerable anxiety

- 3.59 There were a range of views on this topic. The majority gave it a cautious welcome, with a number of respondents suggesting where the facility would be best located. The point was made that businesses wind down over a period and it can be difficult to pinpoint a precise date of cessation.
- 3.60 One respondent saw no need for it and others cautioned it should not be made mandatory and that many businesses have both business and untaxed non-business income to declare, so HMRC should not assume both ended without checking.
- 3.61 Other points made were that if HMRC introduced an online option as default they should also introduce a paper and telephone alternative. The situation could also be improved in the short term if HMRC could cancel ITSA returns issued in error.

HMRC response

- 3.62 The driver for this idea is primarily to reduce the tax burdens at a difficult time in a business's lifecycle and if it were introduced there in no intention it would be made obligatory. HMRC will be looking at options to add a cessation notification facility on a 'tell us once' basis to enable customers to tell us about deregistering under certain tax heads. This would also provide one place to link through to guidance about deregistering but it is intended that it would be additional, not replace existing means of informing HMRC of cessation.

Question 16: How can HMRC best ensure only those registering for self-employment go to Registration Wizard?

- 3.63 A significant number of responses queried why HMRC should restrict OTRS to businesses and felt it should be available to all those within ITSA. Most other responses felt good guidance with signposting and careful site design to be the key if that was how HMRC were to proceed. Other suggestions were an early question up front or the link to OTRS to be restricted to a 'register for self employment link'.

HMRC response

- 3.64 There are a number of reasons for restricting OTRS to business. It was designed from the outset as a digital alternative to the paper form (CWF1) to register for self employment. Given the number of directors/employees that are also within SA, sheer volumes merit caution here. OTRS (and other 'One Click' deliverables such as Tax Dashboard) will be delivered in April 2012 and it was always intended that they would be built to be extensible.
- 3.65 Once OTRS is up and running and becomes familiar we will review options to extend it in the light of feedback and feasibilities. That may include other business taxes (eg Excise regimes) and others customers within ITSA particularly with land and property income.

Question 17: PAYE: We would welcome views how best this might be handled when one timely notification could save much wasted administration and circumvent considerable anxiety

- 3.66 As with question 15, the range views were similar with all those who responded (bar one) in favour in principle. A number of other suggestions were offered such as:
- allowing in-year filing when a company ceases trading;
 - An online function for employers to declare that they no longer had employees;
 - A facility via RTI (Real Time Information Project) where a PAYE submission was not received for two or three consecutive months.
 - A simple method through the online system allowing a user to flag up when a scheme needs to cease;
 - Also a method of indicating where a scheme is required but no PAYE or NIC payments are likely;
 - Better education and guidance on the de-registration process at less sensitive points in the process from the point of registration and throughout the business lifecycle;
 - more efficient and prompt use of information on cessation;
 - An online re-registration system;
 - Include a specific question in the tax return;
 - Provision made via the P35 checklist to make a mandatory declaration. Alternatively business to notify HMRC via a process similar to that used for PAYE/NIC;
 - Need to consider the 'dormant phase' of a business before it is wound up.

HMRC response

- 3.67 This response is enormously useful. There are clear win-win possibilities here. As with the response to Question 15, HMRC will be looking at options to add a cessation notification facility on a 'tell us once' basis. This will not replace existing means of informing HMRC, but provide an additional channel.
- 3.68 A point under question 18 was made that a facility to de-register for Class 2 NIC would be useful.

Question 18: Are there any particular issues for Class 2 NICs?

- 3.69 A number of respondents referenced the consultation on merging Class 2 NICs with Class 4 NICs in which case many issues in terms of registration for the self employed would disappear. This would of itself save administration for HMRC. There were also a number of comments about merging NICs with tax. Digital by Default should be an element in any plans to more closely align tax and NIC.
- 3.70 Specific comments were received in relation to one notification, Small Earnings Exception and Deregistration and a useful reminder was made that some customers are exempted from NICs and requirements should reflect that.

HMRC response

- 3.71 At Budget 2011 the Government announced its intention to look at ways to integrate the operation of income tax and National Insurance Contributions. This is a challenging issue, and has been looked at, but not pursued, several times by previous governments. However, the Government strongly believes it is worth looking at again. In this context, whilst there has been no Government commitment to examine the case for reform of Class 2 and 4 NICs specifically to date, it is interesting to note that there does appear to be an appetite amongst some commentators to consider reform in this area. HM Treasury/HMRC would welcome suggestions about this, setting out aspects which could be reformed and the expected benefits from doing so. Comments can be emailed to incometaxnics.simplification@hmtreasury.gsi.gov.uk.
- 3.72 The comments in relation those who are exempt from NICs and one notification in respect of Small Earnings Exception and de-registration were all helpful and HMRC will consider whether the ideas can be included in our existing change and policy plans.

Taxes Impact and Information Note (TIIN)

- 3.73 A number of respondents commented on the lack of detail in the Taxes Impact Assessment. A TIIN has been produced to reflect the latest position and is on the HMRC website at: www.hmrc.gov.uk. However, the online system is still in the design phase and this will be updated as and when final decisions are made. An updated TIIN will be published on the HMRC website at: www.hmrc.gov.uk/thelibrary/tiins.htm in 2012.
- 3.74 Most respondents who commented believed the impact would be felt most by smaller businesses and that HMRC needed to ensure resources are invested in the relevant IT and training. A number of respondents felt the TIIN understated the impact of Digital by Default, that some 4.24 million registered disabled was a sizable group many of whom would struggle or could not access computers.

HMRC response

- 3.75 HMRC recognises that estimating impacts is particularly difficult when proposals are still at an early stage. It is very grateful to those who commented and will use this information to inform future work to develop new services and processes. The TIIN will evolve as the work progresses.

4. Other issues raised

Improving online offering and simplifying tax system

- 4.1 Three issues repeatedly cropped up in responses.
- The need for HMRC to improve their online products
 - Simplifying the tax system
 - Security

Improving online

- 4.2 HMRC is conducting a wide ranging review of the way it delivers its digital services. This is in part a response to the fragmentation where digital services have been developed “tactically”, ie to address a specific administrative or operational issue rather than strategically as part of a universal digital solution.
- 4.3 The new approach will lay the groundwork to take a holistic view, one that is designed from the outset on demands of the user. That will not happen overnight, there are a lot of factors involved from legislation through to accommodating existing IT as new-build is expensive and the business case difficult to justify.

Simplifying tax

- 4.4 Proposals for tax simplification at a policy or administrative level are beyond the scope of this consultation. Digital by Default is part of a step toward simplifying the tax system and the government has set up the Office of Tax Simplification (OTS) http://www.hm-treasury.gov.uk/ots_smallbusinessreview.htm. This consultation should ensure any changes coming as a result of that are looked at from a Digital by Default delivery perspective.

Security issues

- 4.5 Electronic communication and transactions are a key part of (HMRC's) business. However, the advantages that online transactions provide can also give rise to the risk of fraud - individuals claiming to be someone they are not etc. HMRC is committed to the security of its customers - but equally they need to be alert.
- 4.6 A common theme particularly when discussing the provision of email and the giving bank details was the security of HMRC's digital systems. This concern is understandable, although we are not aware of anyone having suffered financial loss due to criminal attack on HMRC's IT systems. HMRC has warnings on its online systems and these will also appear on OTRS.
- 4.7 HMRC continuously monitors systems and customer records to guard against fraudulent activity. The methods fraudsters use to obtain the information they want is constantly changing, so HMRC provides regular updates on the type of scams it is aware of. The main risk involves the stealing of identity or access details. Security advice can be found on the HRMC website at the following address:
<http://www.hmrc.gov.uk/security/advice.htm>

5. Next steps

- 5.1 This consultation has been useful and will contribute to HMRC thinking on the future shape of service delivery through digital means. A key signal from this contribution is that Digital by Default should take an inclusive approach and not a mandated, statutory one.
- 5.2 Over the coming months HMRC will be translating Digital by Default principles into possible new administrative models, and will engage further with stakeholders. It is hoped that such engagement will take place during summer into autumn 2012.

6. List of respondents to the consultation

Association of Accounting Technicians (AAT)
Association of Chartered Certified Accountants (ACCA)
Angela Williams, FCA CTA
Association of Taxation Technicians (ATT)
Aviva
Baker Tilly
Chartered Institute of Payroll Professionals
Chartered Institute of Taxation
Citizens Advice Bureau
Deloitte
D. M. Marler
Information Commissioner's Office
Institute of Chartered Accountants of England and Wales (ICAEW)
Institute of Chartered Accountants of Scotland
IRIS Accountancy Solutions
London Society of Chartered Accountants
Low Incomes Tax Reform Group
Markham R.W.
PwC