HM Revenue & Customs

Issue 33

WorkingTogether

Agreeing a reasonable excuse

31 October this year saw the introduction of a different filing date for those who file paper returns. Representatives from some of the professional bodies were concerned that there seemed to be no provision for the practical problems that might arise after 31 October 2008, and subsequent years, if someone tried to file online but could not.

'Although many agents file online, we know that there are inevitably some returns that fail online submission. We did not want agents to have to face the prospect of penalties for those clients affected' said Tina Riches, a member of the Working Together e-group.

Although penalties can be minimised by paying the tax on time, partnership tax returns are not covered by such provisions, and not everyone is able to pay the right amount of tax on time. Therefore, since April 2007 the e-group has been urging HMRC to put in place a system to prevent penalties being issued when there has been a genuine attempt to file online and the 31 October deadline for a paper return has passed.

Brian Palmer, joint chairman of the e-group, explained 'Many tax agents have expressed concern about what they should do after 31 October if they are unable to file a client's SA return online.'

Members of the e-group worked with HMRC to produce a simple form that agents can use to claim 'reasonable excuse' for failure to file online, and to enable agents to make claims for reasonable excuse against a potential penalty for the late filing of a paper return after 31 October. In early October HMRC announced the issue of the new form, together with guidance.

The guidance was launched on HMRC's website. Previously, taxpayers (or their agent) would make a reasonable excuse claim once HMRC had issued a late filing penalty. The advance claim procedure involves completing a simple one page form and submitting this with the return. That will enable HMRC to suppress many penalty notices before issue, saving time and costs on all sides. If a reasonable excuse claim is accepted the return will then be deemed to have been received on time. It is anticipated that the issue of penalty notices can be suppressed for all claims received before 23 January 2009. It may also be possible to suppress the issue of penalty notices where the claim is received between 23 and 31 January, although this cannot be guaranteed.

Brian said 'The new distinctive form will be easy for agents to complete, and for HMRC to separate from the returns and process in a special unit, where they will receive priority attention using specific guidance. It is expected that this will result in a more consistent and prompt service. The e-group will be monitoring the situation and HMRC has agreed to revisit the guidance, if necessary, as we approach 31 January'.

Individuals and trusts can of course avoid late filing penalties by paying their tax on time. However, without a valid claim for reasonable excuse, late partnership tax returns and returns of individuals or trusts which have not paid all their tax on time can attract a penalty of up to £100 per partner or individual. The use of the new form is expected to help such taxpayers in particular.

The professional bodies in Working Together would be pleased to hear from any agents who use the new process, with details of their experience. Contact details are available by following the links within the **Working Together local directory.**

Links:
www.hmrc.gov.uk/carter/sa-agentupdate1.htm
www.hmrc.gov.uk/workingtogether/contact/local-directory.htm

1 Local Working together
Construction Industry Scheme, Customer bank statements, Confirming HMRC staff identity, ADLs, Self-employed earnings with student loans, SA Online

2 National Working together
The future of Working Together, 64-8 issues and myths, 31 October paper SA Return filling, Clients Account Information Sheets

3 Updates from HMRC
HMRC's plans for restructuring, Reorganisation of Corporation Tax work, Tribunal Reforms, Foreign Income Supplementary, Standard Letters Project

1 Local Working Together

Local Working Together (WT) is a forum for HMRC officers and tax practitioners to meet locally. To get involved and find out about a local group near you, check the **WT local directory.**

This section brings together some of the issues you are telling us about and the progress we are making. The following issues are some of the more frequent ones arising from the recent local WT meetings across the country.

Link:
www.hmrc.gov.uk/workingtogether/contact/local-directory.htm

"during the four months in which the ADLs have been open we have dealt with over 230,000 calls"

New payslip form for Construction Industry Scheme

The local WT group in West Wales met back in May and posed the question 'Why doesn't HMRC provide a pro-forma payslip in a pdf format on the website which contractors can download?'

Our Construction Industry Scheme (CIS) team looked into this and established that there was no set format replacing the old voucher system and that the payslips used by contractors vary greatly. The idea of producing a pro-forma payslip will standardise the process and reduce correspondence.

We are pleased to report that this suggestion has been progressed and you are now able to use the new payslip form **which can be found on our website.**

Link:
www.hmrc.gov.uk/forms/cis-payment-deduction-statement.pdf

Customer bank statements

Many agents across the WT network have told us that the description of 'SA' featuring against entries on bank statements is unhelpful. In future all payments made by HMRC will be pre-fixed 'HMRC'. We are limited to the number of characters we can use but hope that the new description 'HMRC SA' will assist in the identification of payments in the future.

Work is now in hand to make this change and we will let you know as soon as we can when the new arrangements will be in place.

How should HMRC staff confirm their identity?

You have told us that when HMRC staff ring you they sometimes seem reluctant or unsure about how to confirm their identity so that you can be reassured that an HMRC caller is genuine.

We have therefore reviewed our guidance to staff and made it clear that should they be prepared to verify their identity if asked. Readily available examples of appropriate verification are:

Reference to earlier correspondence from the agent, or date and time of the original telephone call.

Reference to date of issue of regular outputs such as an SA statement.

Operators name and a verifiable telephone number. (They are also instructed to advise the agent that the return call to a Contact Centre would probably not be answered by the person who made the call.)

We would also advise any agent who feels uncomfortable about discussing their clients' affairs by telephone to write to us with the information requested.

Agent Dedicated Lines – Why don't you give us a call?

You can now call an Agent Dedicated Line (ADL) for all your taxpayer specific questions about SA (individuals and partnerships) and PAYE.

The final telephone line for agents was switched on in Liverpool in October and during the four months in which the ADLs have been open we have dealt with over 230,000 calls.

So please call the special number for agents rather than the usual helpline number whenever you can. You'll find the numbers you need on the agents pages of the **HMRC website**.

Link:
www.hmrc.gov.uk/agents/contacting-priority.htm

Self-employed earnings with student loans

An agent representing the Suffolk WT area highlighted an issue they had encountered with filing an SA return, via the HMRC online facility, for a client who was self-employed and also had a student loan.

We are sorry to have to let you know that there is an error in the software. We are seeking to correct the problem as soon as possible. In the meantime, when you need to declare an Income Contingent Student Loan but no deductions have been made by an employer you must nonetheless make an entry of "£1" in box SLR1 (with an explanation in the white space). You will then be able to submit the return online. Further help or guidance on this can be obtained from the **Online Services Helpdesk**.

Link:
www.hmrc.gov.uk then select 'Contact us', 'All businesses', and within the See also section is the 'Online Services Helpdesk'

How to make more entries for SA online filing 2007–08

Where you need to make several entries on a return in one section but the online facility will only permit a certain number of entries, please complete all but the final entry line then amalgamate any remaining items and enter the total in the final entry line. If there is a total box please show the total of all the entry lines including the amalgamated line. Include an attachment, or use the relevant additional information space, to make a full return of those items amalgamated.

2 National Working Together

"Local groups will continue to be the fundamental structure for WT"

The national Working Together team co-ordinates the partnership with key agent representatives and is the central point for issues submitted by the local groups which are of national significance. The team meets on a quarterly basis with the Working Together Steering Group. **Click here to read the minutes of these meetings**

Link:
www.hmrc.gov.uk/workingtogether/sgminutes.htm

The future of Working Together

The special edition of the Working Together (WT) bulletin published on 30 October summarised what we heard about WT at the 10 regional events. We said then that we would be working on a full report of our conclusions and proposals for the future of WT during November. That work is complete, and we aim to publish the full report on our website during December.

In the meantime we have set out in brief the main proposals of the report for your information.

- Local groups will continue to be the fundamental structure for WT.
- In order to make further improvements to the operation of WT, HMRC support at local meetings will be formalised and restructured. Each group will have a named HMRC lead and a co-ordinator, with deputies for both roles.
- Agent membership will be widened, but at the same time the 6 institutes will use their best endeavours to ensure that they are effectively represented at each local group where they have members.
- There will be a new communications system for WT that will be increasingly interactive and self-service based. Local groups will be able to see what issues have been raised already and how those issues are progressing, avoiding duplication and focussing discussion on new or significant issues.
- All of the existing support material will be revised in the light of these proposals, and a joint WT pack will be produced and published setting out all of the HMRC and agent roles within WT; the responsibilities that go with those roles, and the proposed processes to support the successful introduction of the new communications system.
- There will be a new ongoing regional tier of WT events aimed at joint education and training, and at the delivery and discussion of key HMRC developments and messages.

The report also describes and timetables the ongoing joint work to create the communications system, the WT support pack, and the new regional events for WT.

HMRC tackles your 64-8 issues

You have continued to tell us, at both Working Together and Carter road shows, that the agent authorisation process remains a major irritant and frustration for you. We are working on significant improvements to the authorisation process with representatives from the Working Together Steering Group and the HMRC Central Agents Authorisation Team (CAAT).

From what you have told us, the main irritants are slow paper processing times, lost paper forms, difficulties in 'removals' and unreliability and slow processing when using the online process.

We are looking at a range of improvements to resolve these issues and we are also taking a longer term strategic view of the future arrangements for agent authorisation. We do however need to maintain data security at all times and that must be a prime consideration.

We thought it might be useful to set out the current process.

An agent must be formally authorised by an individual or a business so that we can disclose information to that agent as a nominated representative. We would encourage you, if you possibly can, to register for authorisation online. Using the online authorisation service saves you and your client from having to complete paper forms, ensures receipt into our systems and improves accuracy of recording the agent details.

To use the online facility you, as the agent, must first register using the HMRC website. This information is passed to the Government Gateway for verification (the UK Government Gateway is a secure Internet portal that allows UK citizens, businesses and their intermediaries to interact using a range of government online services). Once verified, the registration details, including your name and email address, will be stored securely on the Government Gateway.

Once the record has been successfully validated, we will send a letter to you. The letter contains a unique authorisation code (PIN) and your Unique User ID. You will need to activate the PIN. To do this, you will need to access the **online service for agents**.

Once the PIN has been activated you can use the service to set up authorisations for your clients.

When logged on to the online service (enter your User ID and password) you can then go to the "Agent Authorisation" link and use your PIN to add your clients' details, which will then be sent to the Government Gateway.

As part of the client authorisation process, a letter will be sent to your client containing a unique activation code (PIN) asking them to confirm that you are authorised to act on their behalf. The Government Gateway uses the postal address registered with HMRC online services to send confirmation of the activation code (PIN) to your client.

If your client agrees to your authorisation they must pass the PIN to you as soon as possible. If you do not activate the PIN within 28 days you will need to re-register.

You can check to see if the authorisation has been successfully completed, by logging on to the online service and taking the following steps:

- Enter the clients surname, client's reference as well as the Unique Tax Reference (UTR).
- Select 'GO'.
- This will give two options 'view all clients' or 'download clients list.'

This screen will show whether you have been authorised by HMRC to act as agent for a specific client.

If you are unable to apply for authorisation online you can ask your client to complete a paper form 64-8 and send this to the Central Agent Authorisation Team.

For authorisation to use the PAYE online or Construction Industry Scheme online service, you should use a paper form FB12.

Link:
www.hmrc.gov.uk/agents/index.htm and then select 'Online services for tax agents'

Myths and legends of 64-8's

As we have explained above the agent authorisation process is undergoing a complete review and we are determined to improve the system ahead of the January 2009 filing deadline. In our conversations with agents across the country, we have discovered a number of 'myths and legends' around the 64-8 process. We hope that you will find the following list useful in dispelling some of these.

Do I need to submit a new 64-8 each year because 64-8s 'expire'?

No, there is no need to renew your authority annually. The authorisation continues until HMRC are told that the authorisation has been withdrawn or another agent submits a 64-8 for this client.

If I send one paper 64-8 to the Central Agent Authorisation Team (CAAT), is it best to also send duplicate requests to 'local' offices, to make sure the 64-8 is processed?

No, these duplicate forms will be sent internally to CAAT by the local office for processing so they merely add to the volumes that CAAT need to process and increase the average time it takes to process each form.

Do I need to send a separate paper 64-8 for each Head of Duty?
No, only one 64-8 is required per client. HMRC will update all heads of duty that are relevant to the client using a single 64-8 form.

Do I need to send a 64-8 if I have already sent a VAT Letter of Authority?
No, existing letters of authority to disclose remain valid for VAT purposes. If you wish to extend an existing direct tax authorisation to VAT you will need to complete the VAT section of form 64-8 and send it to CAAT. For the future all requests to act for a client in relation to VAT and other tax areas will need to be made on form 64-8.

Do I need to wait to send a 64-8 to CAAT before I send in other papers e.g. repayment claims, VAT returns etc?
It is better, if possible, to send the 64-8 to CAAT prior to submitting other papers. That way the IT systems that HMRC staff access will be updated with the correct agent details which will allow you as the agent to track your client's tax affairs and receive correspondence from us.

Do I need a National Insurance Number (NINO) to complete a 64-8?
No, however if no NINO is supplied on the 64-8 form, it will take longer to process. If you can supply all relevant reference numbers, that is, the NINO, Agent Code, and UTR, you will help us to deal with your application more quickly.

When should the Employer Box be completed?
You only need to complete this box when you are being authorised to act for the individual or body in relation to their employer responsibilities.

So for most individuals it will not be necessary to complete the boxes headed 'Employer PAYE Scheme Employer', 'PAYE reference' or 'Accounts Office reference'.

This will help us to make sure we send information to the right person.

I've sent a paper 64-8. Do I now need to repeat the authorisation online?
No, if you have already submitted a paper 64-8 then you should not use the online service in respect of this authorisation.

In this electronic age are we always going to use paper as the main means of authorisation?
In the longer term, we expect to deal with the majority of authorisations online but for the present will continue to provide a paper service.

Should I send the 64-8 to any HMRC office?
It is better to send a 64-8 form directly to CAAT as they should then be processed within 5 working days of receipt, although there are some 'exceptions' to this routing as set out on the reverse of the 64-8 form. We are aware that some agents will include a 64-8 along with correspondence on a return where they are first asked to act. Sending the 64-8 separately to the CAAT office allows us to process them more quickly and ensure that agent's details are entered onto the customer record at the earliest opportunity.
The CAAT address is: HMRC, Central Agent Authorisation Team, Longbenton, Newcastle upon Tyne, NE98 1ZZ

If you have any further questions you want us to answer or issues that you need clarifying, please let us know by **emailing Ros Bent**. We will let you know more about the online Agent Authorisation process and the improvements we are making over the next few weeks.

Email: rosalind.bent@hmrc.gsi.gov.uk

Paper return deadline now passed

The 31 October deadline for paper Self Assessment (SA) returns has now passed. With a paper return deadline 3 months earlier than the traditional 31 January, agents who used this process needed to change their internal procedures to meet the new deadline.

While filing paper SA returns is still preferred by some, we are pleased to say that a rising number of people are filing their returns online. Figures from the start of the financial year on 6 April to 2 November 2008 show that more than 1.9 million SA Returns had been filed electronically. That's an increase of nearly 36 per cent compared with the same period last year.

The deadline for online tax returns and payment of any outstanding tax remains 31 January 2009. Details of how to file online can be found the on **Business Link** website.

Link:
http://www.businesslink.gov.uk/selfassessment

"the deadline for online tax returns and payment of any outstanding tax remains 31 January 2009"

Clients Account Information Sheets (Forms SA327) to be withdrawn

HMRC will not be issuing Clients Account Information Sheets (SA 327) this year, because of data security changes.

Agents will be aware that Clients Account Information Sheets (aka Agents Statements of Account) have been issued by HMRC every June and December since 1996. These show transactions on every client's Self Assessment account for the previous 6 months, with the exception of accrued interest or cancelled surcharges. Clients Account Information Sheets are issued in all cases where an agent is noted as acting on a customer's Self Assessment record.

In the light of the stricter data security requirements imposed across all government departments we have carried out a full end-to-end data security review of this production process. We have concluded that HMRC will not be able to issue Clients Account Information Sheets in December 2008 and June 2009 without taking steps to isolate certain groups of data and change the methods for their package and dispatch. This cannot be achieved ahead of the normal dates of issue and would in addition have involved significant costs. Longer term IT system changes will be required to meet the new data security standards and these cannot be made before October 2009.

We are sorry that this position has arisen and the short notice it provides in making alternative payment arrangements for your clients. However, we hope that issuing this advice well ahead of the payment date will enable you to steps to obtain the original statement that will continue to be issued or use other means to confirm the liabilities for your clients.

We recognise that some agents do find the copy statements helpful, often because of the payslips attached to them. We have looked into the feasibility of providing blank statement books for agents to use but have found in the past that this facility offers no material benefit over asking customers to forward the slips they receive with their statement or reminders. Since payslip books were last made available HMRC has introduced a number of other payment routes that do not require the use of a payslip - such as Internet/Phone banking or Billpay online.

Information about these other methods of payment, and guidance on what to do if no payslip is held, can be found **on our website**.

Payslips will continue to be attached to the Statements of Account and Filing and Payment/Payment reminders which are issued to SA customers annually in December.

Agents can still view copies of paper statements issued to their clients using the online 'View Statement' facility and full details of liability and payment using the online 'View Account' facility. We are aware that where an over-repayment has arisen the 'View Account' facility cannot be accessed. We are currently working on a solution to that problem and will keep agent groups informed.

The initial paper statements can continue to be sent direct to agents instead of to the customer if their client has given the appropriate authority. This authority is most commonly given by ticking the appropriate box on the Form 64-8.

Link:
www.hmrc.gov.uk/payinghmrc/selfassessment.htm

3 Updates from HMRC

HMRC's plans for restructuring (WorkForce Change)

Many of you will know that, in November 2006, the Chairman of HMRC announced a series of reviews on the future shape and direction of HMRC across the UK. We needed to consolidate our estate following the merger of the former Inland Revenue and HM Customs and Excise and Ministers had asked us to identify staff reductions in the region of 25,000 between 2004 and 2011.

We recognize that our office network had been developed for a previous era and new technology has irrevocably changed the way we work, and having a permanent local presence is now less relevant for much of our business.

As our network of offices has reduced we have taken the opportunity to bring some teams together, making more effective use of our expertise and infrastructure. For some locations this has meant that we have (or will) withdraw completely but we are keeping our Enquiry Centres open everywhere for those who need a face-to-face service.

Our overview began with the major urban centres where over 75% of our staff are located, with the rest of our offices being considered shortly afterwards. The reviews are now almost

complete and we have engaged with a wide range of stakeholders throughout, including MPs, local authorities, national representatives of businesses, the professional tax and accountancy bodies and voluntary groups.

Our overall aim is to ensure that, whatever changes we make to the shape of our department, tax agents (and all of our customers) receive an efficient service. We particularly appreciate how important agents are to us and we have

- introduced Agent Dedicated Lines to all of our Contact Centres
- piloted the role of Agent Account Manager/Customer Relations Manager in some locations
- with support of our professional partners on the National Working Together Steering Group, organised a series of Regional Working Together events to explore the future of Working Together in a department with a different structure and a reduced 'local' presence.

You can keep up to date with our Regional Review proposals and how they affect your location by checking out the **HMRC website**.

Link:
www.hmrc.gov.uk/local/change-programme.htm

HMRC reorganisation of Corporation Tax work

We are currently reorganising the way we handle Corporation Tax work in order to provide a more efficient service to our customers. Over the next 12-18 months some customer records will move to new offices. You may wish to note that if your clients are affected we will tell them about the move. In the meantime, we may temporarily need to redirect some work so that we can maintain a good level of service during our re-structuring. If we contact your client during this period we will tell them if they need to reply to a different office or team.

Tribunal Reforms – update and transitional rules

Since 2005, HMRC has worked to improve and align procedures across its many business areas to deliver a better customer experience. Reforms to the Government tribunals system, led by the Ministry of Justice (MoJ), provide a unique opportunity to streamline the legislation and HMRC's practice when dealing with appeals. This includes a more consistent approach to internal review.

The tribunal reforms cut across government, affecting 70 existing tribunals. The Tribunal, Courts and Enforcement Act 2007 puts in place a framework to establish a two tier tribunal system:

- 'First-tier Tribunal'
- 'Upper Tribunal'.

Appeals will be heard within specialist 'Chambers', one of which will specialise in tax.

On 3 November 2008 tax credits and Child Benefit appeals successfully transferred to the Social Entitlement Chamber. On 1 April 2009, we expect the functions of the four tribunals currently hearing tax appeals to be transferred to the Tax chamber.

During the autumn we continued to work closely with the MoJ to prepare the appropriate legislation to facilitate tax tribunal reform and to introduce the new statutory entitlement to an internal review. We have held meetings with the agent groups who are assisting us with both implementation as a whole and monitoring the direct taxes internal review trial being conducted in the Manchester area. More meetings are planned to take place over the next few months.

HMRC's Tribunals Reform Project team also delivered presentations at the regional Working Together events in Manchester and Edinburgh in September and October which were well received and provided some excellent feedback on the proposals. **For more information about the events see the Working Together Special Edition**.

We are developing accessible and clear guidance for both HMRC staff and our customers, to be published in the new year. Meanwhile, we will be upgrading our website so we can provide a 'latest news' facility and have embarked upon a series of conferences and events around the country, for example, representative body seminars, to publicise the changes.

We have also been asked about what will happen to the transition period and 'old' appeals. From April 2009 the new review process will be available for all direct tax appeals still being worked within HMRC/not already within the jurisdiction of the tribunal and from April, if a tribunal decision is necessary, appeals must be notified to the new tribunal by the taxpayer. We

are working closely with the Tribunals Service to ensure that there is a smooth transition between the end of the General Commissioners and other tax tribunals and the beginning of the Tax Chamber in the First-tier Tribunal.

If you would like to know more about Tribunals Reform **please visit our website at HM Revenue & Customs: Tribunals Reform**

Links:
www.hmrc.gov.uk/workingtogether/publications/index.htm
www.hmrc.gov.uk/about/trp.htm

File your Foreign Income Supplementary page online

You can now file the Foreign Income supplementary page online using HMRC Self Assessment Online Service.

To access the Foreign Income supplementary page, go to the 'tailoring' section of the return and add the supplementary page when completing your Self Assessment Return online. If you have already started to prepare your 2007-08 Self Assessment Return, add the supplementary page through the tailoring section of the return and send it online with your completed Self Assessment Return.

The maximum number of items of foreign income you can file, in any one category, is 20 for the more common types of foreign income (e.g. savings/dividends) and 10 for the less common (e.g. income/dividends from an overseas trust, company, or other entity). However there are no restrictions on the types of foreign income that can be filed using HMRC Self Assessment Online Service.

Standard Letters Project

"HMRC to improve the quality and content of our written communications"

You have been telling us that our letters are inconsistent and can be confusing to agents and their clients. So as part of HMRC's Enforcement & Compliance change programme, the Standard Letters Project (which was commissioned by Naomi Ferguson, Director Local Compliance), will review a selection of standard letters used in the intervention process across he tax regimes: Corporation Tax, VAT, Income Tax, Employer Compliance and CITEX (Customs, International Trade & Excise).

The aim of the project is to improve the quality and content of our written communications with particular focus on clarity to aid customer understanding, facilitate co-operation and minimise administrative burdens.

The project will provide HMRC staff with a new bank of standard letters with the emphasis on customer focus and reflecting the new legislative changes to Powers, Penalties and Tribunals Reform. The revised letters will be available for use when the new legislation is introduced in April 2009.

Editorial

Working Together is a partnership between HMRC and CIOT, ICAEW, ACCA, ICAS, ATT & AAT. Comments on any article appearing in this publication are welcomed and should be sent to the editor Kim Nicholas, Agent & Employers Service Improvement Team, 7th Floor, SW North Bush House, The Strand, London, WC2B 4RD or by email **kim.nicholas1@hmrc.gsi.gov.uk** or to your professional body.

Back issues can be found on the **HMRC website (www.hmrc.gov.uk/workingtogether/publications/index.htm)**

Copyright

This publication is covered by © Crown Copyright. There is no objection to firms copying the publication for their own use. Anyone wishing to republish Working Together or extracts more widely should write to the editor for permission.

Contact details

One of the key objectives of Working Together is to improve two-way communication between HMRC and tax advisers. If you have any comments please contact the HMRC Working Together Team or your Professional Representative (contact details are below). If you are contacting your professional body, please make clear that your comment is about Working Together.

HMRC	**Abena Amoah** abena.amoah@hmrc.gsi.gov.uk
CIOT	**Richard Mannion** technical@tax.org.uk
ICAEW	**Richard Shooter** tdtf@icaew.co.uk
ACCA	**Peter Jennings** peter.jennings@targetlimehouse.co.uk
ICAS	**Derek Allen** tax@icas.org.uk
ATT	**Jean Jesty** WT@att.org.uk
AAT	**Brian Palmer** WT@aat.org.uk

HMRC is solely responsible for the content of this publication and for the views expressed in it.