

A vision of the future?

Management of taxes

Personal tax



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Bill Dodwell considers the transformational nature of Personal Tax Accounts, and their limitations

I remember wondering what Chancellor George Osborne could mean when he said in his March 2015 Budget: 'Twelve million people and small businesses are forced to complete a self-assessment tax return every year. It is complex, costly and time consuming. So, today I am announcing this.

'We will abolish the annual tax return altogether. Millions of individuals will have the information the Revenue needs automatically uploaded into new digital tax accounts. A minority with the most complex tax affairs will be able to manage their

account online...A revolutionary simplification of tax collection. Starting next year.'

Some will no doubt be cynical about the announcement; after all, the Making Tax Digital project which underlay this ambition did not get off to a good start. The danger, though, is that we don't pay sufficient attention to the transformational Personal Tax Account, which should become the main way for individual taxpayers to understand and manage their tax affairs and communicate with HMRC.

A visionary undertaking

Today, nearly 22 million individuals have a Personal Tax Account. Importantly, 9.8 million people accessed their account in the last 12 months.

The Personal Tax Account allows an individual to manage personal details; get information about current year PAYE income and tax codes; check how much income tax was paid in the prior year; claim a tax refund; view their national insurance contribution record and state pension forecast; and manage tax credits. Additionally, it's the gateway to child benefit changes (such as change of address, although not making an initial claim); the potential to pass on the marriage allowance; and to monitor correspondence with HMRC. It is also possible to sign up for paperless messages for tax code changes. If selected, HMRC will send an email alerting the taxpayer to a tax code change detailed in the account.

The development freeze

Unfortunately, as part of preparing HMRC systems for Brexit, it was necessary in April 2018 to pause development of the Personal Tax Account and new services. This was announced by Sir Jon Thompson, then HMRC chief executive, in a letter to the Public Accounts Committee (bit.ly/30KvTBz). The statement noted that 'additional services will be added only where they reduce phone and post contact or deliver significant savings'.

It seems that this development freeze has meant that some new services have been developed outside the Personal Tax Account. For example, in summer 2019, HMRC introduced an online service for employees to claim tax relief for certain expenses borne personally (bit.ly/2NQz7hQ). This is a very useful and significant addition, as it's thought that about 5 million employees claim tax relief for personal expenses, with the majority eligible for flat-rate allowances. The new system makes it easy to claim those flat-rate allowances, or tax relief for professional subscriptions. Although

the initial completion of the form starts outside the Personal Tax Account, it is necessary for the claimant to log in to the account during the process.

Where a refund is due, as the claim covers previous tax years, it is made through the Personal Tax Account, which is also where tax code changes are reflected. It makes it slightly mystifying why the claim can't be made directly from the Personal Tax Account.

And the limitations ...

Accessing the Personal Tax Account requires a government gateway ID. Obtaining this still seems to be a mixed experience, with some finding it time consuming and difficult. A high level of security is essential, but equally the success of the system requires that taxpayers and tax credit claimants can access it.

Self-employed taxpayers are likely to end up with a Business Tax Account as well as a Personal Tax Account. The Business Tax Account includes income tax self assessment, as well as VAT and PAYE, if relevant. However, it's not joined up with the Personal Tax Account. The accounts are linked for log-in purposes, but data doesn't flow between them. Merging the two accounts would be logical and helpful for individuals, but the different way in which they were developed is likely to make this a medium-term ambition. It would be helpful if in the meantime the Personal Tax Account could at least make it clearer to the user that it's necessary to switch to the Business Tax Account to manage returns and tax payments.

Another area where more work is needed relates to tax codes. The information provided is more helpful than before, e.g. the personal allowance is now referred to as 'your tax-free amount'; however, there are still unexplained figures and apparently random adjustments. Estimating annual PAYE income remains more of an art than a science, since the system doesn't cope well with one-off payments. There's no easy way to request a tax code change for those who have the knowledge to do so. Introducing new click to pay options would be good, as well.

For me, the Personal Tax Account could become a great service, which would offer taxpayers more and better information about their tax position than ever before and make it easy to provide new information to HMRC. A richer Personal Tax Account would help cut HMRC's annual costs by providing a wide range of self-service tools. Further investment is needed to support this ambition.