

LITRG Autumn Statement representation

General Features

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22 November 2023

LITRG has submitted a representation to HM Treasury ahead of the 2023 Autumn Statement.

In our representation, we recommend that HMRC issue a commissioners' direction setting out what constitutes an 'approved' electronic or digital signature for the purpose of paper tax refund forms.

Electronic and digital signatures carry risks, particularly electronic signatures which can include a typed name or a copy and pasted image of a signature. As yet, HMRC have no controls or policies in place.

This means that HMRC are accepting signatures on tax refund forms (containing nominations paying the refund to the agent in the first instance), which carry potential risks:

- They may be harvested from an opaque online sign-up process and used without the taxpayer's full authority, meaning that the taxpayer does not see or sign the completed form that is submitted to HMRC. This method also makes the terms and conditions, and the fees, less transparent.
- They may be recycled from other applications that taxpayers have made with a connected entity (such as a payment protection insurance claims company). This not only means the taxpayer has not seen the completed form, but they may not be aware a claim is being made at all
- In some cases, they may be potentially forged.

We therefore propose that a formal framework is put in place which informs how HMRC deal with electronic or digital signatures. Compulsory new rules should state that an electronic or digital signature, on a form submitted by an agent, is only approved where it has been placed on the *completed* form by the taxpayer themselves or where it is collected separately but is used with the full (documented) authorisation of the taxpayer and where they have seen, understood and approved the contents of the paper tax refund form (including their signature) prior to submission. Where paper tax refund forms are not supplied with an approved signature, they should be taken not to have been submitted.

This proposed change will not just benefit taxpayers who are currently getting caught out by agents but also ultimately the Exchequer, as public money is exposed where HMRC pay out money to agents that they should not. It may also help to address the current customer service crunch in HMRC, given that a large amount of contact is generated by these agents progress-chasing claims and by taxpayers with questions and complaints.

HMRC have various tools at their disposal to deal with agents that are not acting in good faith; for example, their Standards for Agents. However, even after the Tax Credits Ltd case, unscrupulous repayment agents seem to be abusing signatures. It is high time for HMRC to take firmer action on the repayment agent situation. This should include essentially mandating HMRC to take care to ensure they are only accepting approved signatures (by checking an agent's end-to-end process) via this recommended new framework.

The representation can be read at: www.litrg.org.uk/ref2803. A news article 'Why is my tax refund being sent to a third party I've never heard of?' contains further background information: tinyurl.com/by8k83h5.

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