

HMRC Payments Strategy

Management of taxes

01 September 2017

In early July, HMRC held a 'Talking Points' webinar about their aim to reduce cheque payments by post and the elimination of refunds made by payable order. LITRG listened in.

Legislation has been in place since 2010 mandating the electronic payment of VAT, with similar provisions introduced for corporation tax in 2011. While electronic payment is not mandated for other taxes, HMRC are hoping to reduce the number of cheque payments they receive by post and to eliminate refunds made by payable order.

Reasons given for this strategy include cost efficiency, reduction of fraud and ensuring both tax receipts and refunds get to the right place.

HMRC quoted various figures for further background, including:

- In 2015/16, HMRC collected £536.8bn in tax revenues
- In the same year, HMRC received 4 million cheque payments through the post with a value of £15.8bn
- In 2015/16, cheques received through the post that were dishonoured were valued at over £230m
- 10% of refunds made by payable order are returned each year, uncashed

HMRC's preferred method of electronic payment is Direct Debit, as this means the payment details are verified and, unlike BACS and similar transfers, payments should be allocated automatically to the taxpayer's account. This removes the risk of reference numbers being mistyped and payments therefore being misallocated or held in suspense pending resolution.

Echoing some of LITRG's concerns about digital exclusion, many agents joining the discussion said they had clients who are unable or unwilling to pay by electronic

means – giving examples of older people, computer literacy problems, security concerns, ‘old school’ attitudes and so forth. HMRC are keen for agents to encourage clients to pay electronically where possible, arguing the following in its favour:

- [electronic payment is] safer and secure;
- Unlike cheques, electronic payments cannot be lost, intercepted or fraudulently cashed;
- Customers can be confident payment will reach HMRC on time; and
- No postal delays or costs.

In terms of issuing refunds electronically, HMRC noted that they are still battling with some legacy IT issues – for example, although form R40 requests bank details, those refunds are still made by payable order at present (leading agents present to question why bank details are requested on the form). HMRC acknowledged that this was being looked at.

HMRC are also working on being able to issue repayments direct to foreign bank accounts, but noted they face some difficulties due to different banking requirements in different countries.

You can register for HMRC’s Agent Talking Points sessions and listen to recordings of some of their previous sessions on [GOV.UK](https://www.gov.uk).