

TaxAid: submission for evidence for the Thoresen Review 2007

Introduction

TaxAid is unique as the provider of free, specialist advice to the public on tax, Tax Credits and tax debt for those on low/no income. We are also the only second-tier adviser – and especially on Tax Credits and tax debt – to the generalist front-line and debt advice agencies where they need specialist tax advice for their own clients. TaxAid submitted a proposal under the initial Financial Inclusion Fund round for funding to expand cover across the UK. At that time, however, “Financial Inclusion” was in effect redefined as “debt advice”. Our position was – that with 15 million people on incomes below £16k pa, and 6 million recipients of Tax Credits, all of whom are materially affected by a complex interaction of tax and benefits – that tax advice should be an element of “financial inclusion”. Getting the tax right affects people’s disposable income level, but also the decision to take up or remain in work. Getting tax wrong is also a costly business for HMRC, resulting in unnecessary casework and writing-off of tax due.

AS2 ... information on structure (e.g. funding, governance, scope, geography, legal basis, scale constraints etc)

Funding is derived from 4 income streams in about equal proportions: donations from the tax profession (including those from the Big Four accountancy firms); surplus from running conferences for the tax profession; Trusts and Foundations; and the statutory sector.

Scope and geography: Tax advice given via the helpline and face-to-face in Birmingham and London to anyone on low incomes with tax problems across the whole range of issues, except tax planning. Four internal tax advisers, 6 self-employed helpline advisers and 30 volunteers support “self-help” in understanding aspects of the tax system to 5,000+ clients a year on a current turnover of approximately £400k pa. Clients to the helpline are drawn from across England, with a small proportion from Scotland and Wales.

Tax is very complex – and especially so for people on low incomes where there are additional (taxable & non-taxable) benefits to account for. Our experience confirms HMRC research that the principal reason that problems arise for people on low incomes with HMRC is that they do not understand their obligations. The sheer complexity of tax results in 3 in 10 tax returns incorrectly completed (NAO figures 2006). Those most intellectually competent or well resourced financially and who can afford professional advice are able to resolve any conflicts – the financially excluded or those at risk of exclusion and most vulnerable in many ways fall through the net, indicating a need for free professional tax advice. Indebtedness to HMRC arises from various circumstances which can have consequences that are out of all proportion to the initial obligations to the tax due (because of additional penalties and interest if not handled properly and promptly). It can arise from additional small earnings of those on State pensions; 2nd jobs (i.e. people on low incomes are more likely to have complex work patterns); self-employment (voluntary and coerced, often because they are otherwise unable to find or

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retain employment) – and this results in outstanding tax returns which cause HMRC to raise estimated demands. Overpayments on Tax Credits of the order of £2 billion [National Audit Office 2006] are susceptible to claw-back often resulting in unmanageable indebtedness on the part of the claimant.

Regulation: as a charitable company is regulated by the Charities Commission and Companies House, and holds the Community Legal Services Quality Mark at General Level.

AS3 ... the most appropriate way of describing “generic financial advice” provision

The service you aspire to needs to encompass the notion of “independent” rather than “unregulated” – which is in our case a misnomer, given regulation by Charities Commission, Companies House, the Legal Services Commission and individual professional advisers’ regulatory bodies. “Money Advice Direct” is one possibility.

AS6 ... consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review ...

We believe that the infrastructure is there and provided by the market i.e. for us this means the accountants’ firms and the CLS Direct Gateway (which might work if sufficiently funded). Access to the former is limited by the inability to pay and the lack of understanding of what the tax and accounting profession is and does i.e. people on low incomes “self-exclude”.

BS1 ... who should generic advice aim to serve including a view on segmentation

TaxAid serves anyone below the poverty level i.e. 60% of median income or about £16k pa. Beyond we refer callers to a paid service, unless the issue is tax debt for which there is no paid adviser willing to take on their case (or with any expertise in advising such clients).

BS2 ... are there groups it should not serve and how might they be excluded or steered away

Since people might be income poor and have significant assets, we ignore assets for the purposes of the decision and signpost those above income level (to the regulatory body for tax advisers Chartered Institute of Tax Advisers (CIOT)).

BS3 ... what are the best ways of reaching the target market ...

Through the Voluntary and Community Sector (VCS), although they reach only those *presenting* problems i.e. not preventative. If a national service I would trial a “calling card” at every Tesco checkout.

BS5 ... how can the boundary between generic and regulated advice be clarified

At 60% of median income – and then funnelled to regulated advice, BUT the generic service itself should not be inferior. TaxAid has quality standards matching the very best (and most expensive) tax advisers and has had quality audited by PricewaterhouseCoopers.

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BS7 ... where should people be referred to after receiving generic advice ...

TaxAid operates a system of “self-help” under which 70% do not need further advice and support and are able to manage their own relationship with HMRC. 30% of course do need further support, but the aim is that they should not become dependent on our continuing service. Not referred directly to a private firm if and when they are above our income guidelines, because of potential for abuse of the system, but rather referred to CIOT for a contact list of tax advisers in their area.

BS8

Those who are not qualified tax advisers are not in a position to give tax advice – over the past 15 years the generalist VCS advice agency has retreated from giving tax advice as it is too complex and too risky from a liability perspective. Non-professionals would not be covered by Personal Indemnity Insurance. BUT they can be trained in adequate tax awareness to recognise tax problems and appropriately refer. Most TaxAid clients in a study (TaxAid, 2002) had been referred by front-line advice agencies that were unable to address the complex needs where tax debt or Tax Credits are concerned. In our (2006) assessment of 300 lead general advisers from VCS advice agencies *none* had the expertise to minimise tax debt or maximise income via Tax Credits, even for relatively non-contentious cases. This is in part because of tax regulations and in part because of the opaque interrelation of the various departments and in part the process of tax collection. The survey demonstrated that those with tax debt who approached the generalist VCS were being ill-advisedly referred back to (the wrong part of) HMRC (with whom they were in dispute) or were advised to go bankrupt – totally unnecessarily, since the debts were estimated and based on determinations. As a result of these findings TaxAid has undertaken to train the VCS (including those funded under the Financial Inclusion Fund) and is finding a greater awareness of the significance of determinations (and referrals to TaxAid for help to the extent we are able to provide it). The conclusion is that there is scope for generalists to be the front line adviser as long as they have undertaken adequate training (however there is evidence that they are already under-resourced for the work that they currently do).

BS9 ... what are the legal implications of giving generic financial advice ...

The difference between generic (defined as unregulated) and regulated advice is significant in the tax world as the regulated (i.e. fee-taking) business is obliged to report non-compliant taxpayers under the Money Laundering Regulations (Act of 2004). Being subject to this legislation would seriously compromise the delivery and take-up of advice.

BS10 ... how would the creation of a new generic financial advice service materially affect advice providers

In the world of tax advice provision there is a symbiosis in advice delivery in that there is a clear cut-off point at 60% of median income beyond which we refer clients to CIOT for fee-paying assistance. Tax professionals in the firms are not themselves interested in taking up low income clients (as not seen as good business potential), so they refer such clients to TaxAid.

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CS1 ... to what extent should generic financial advice be free at the point of delivery

While not being prescriptive about the necessity of “free at the point of delivery” on the whole it is difficult to get the cooperation (e.g. referrals) of the VCS if fees are charged (and funders don’t like fees either). This is slowly changing as financial pressure asserts itself and there are calls for a more entrepreneurial edge and pressure on charities to look for ways to be less grant dependent, in part driven by the sheer numbers of charities competing for funding and in part by heavy reliance on statutory funding. Care must be taken that such non-regulated advice does not equate to “second-rate” advice.

CS2 ... evidence of support a commercial case for generic financial advice ...

Cooperation of voluntary sector has required adherence to a free service – this is no longer so clear cut as service providers are being encouraged to be more enterprising, so for example debt advice agencies are expanding into negotiating Individual Voluntary Arrangements (IVAs) for which they make a charge of several hundreds of pounds, and some agencies in bankruptcy advice charge out the costs for bankruptcy services (estimated charges an average of £450 for handling a bankruptcy). That is, there seems to be a nascent separation between the continuing provision of advice free to the end-user, while charging for the provision of time-consuming/expert services.

For TaxAid the commitment to free at point of delivery is also affected by the Money Laundering provisions – and we would be unlikely to get the degree of voluntary support that we do from the Big Four if we were to charge. Accountants at the low-income end of the market warn of the problems of chasing fees from clients who are unable to meet them.

CS3 ... how can the wider benefits of generic financial advice to individuals and society as a whole be quantified

It is hugely difficult to get a common measure that retains any meaning (for example, one major funder reduced the common measure to whether advice recipients were “more confident”). However, we have devised a Social Return on Investment (SROI) study that examines the impact of TaxAid’s work, both at the individual level and in the wider social context¹, giving a clearer picture of the true value of advice than a purely economic cost/benefit analysis is able to do. Issues such as immediate savings to clients in the difference between the *estimated* tax debt and the actual tax due, the benefit to society of clients staying in work and remaining healthy and productive, and even more peripheral but important issues such as the affect on housing & family circumstances are

¹ Social Return on Investment’s focus on outcomes looks at different levels of impact:
Individuals – in their skills, knowledge, confidence, attitude, behaviour, relationships, circumstance, self-image, motivation, feelings of isolation, mental health and general well-being and ability to work
Families – in their financial security, homes, stresses and relationships
Communities – in their employment levels, benefits levels
Organisations – in their capability to advise, in better volunteers, in partnerships
Policy – in HMRC, in Government

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considered. The aim is to provide demonstrable cost savings or revenue contributions that result from TaxAid's work.

We suggest that a better measure is where there are huge costs and potential savings to the public purse. In the case of tax advice and HMRC, since a single taxpayer's case can sit unresolved in five separate departments in HMRC (collection, compliance, VAT, NI, and Tax Credits), intervention at an early stage can be demonstrated to resolve cases and lead to resolution and closure at lower cost – to both HMRC and the taxpayer. However, as the Revenue keeps no data on costs of individual cases worked, or advice given, a direct cost benefit analysis of case closure will be hard to achieve. Nonetheless, by using an analysis of the point at which TaxAid intervenes in the case as it progresses through the mills of HMRC we will gain an approximation of costs saved (i.e. with more costs saved by the proportion of interventions at the preventative stages).

CS4 ... what factors should be taken into account in deciding how to split any costs ... between the stakeholders who will benefit ...

In the case of tax, stakeholders do not in most cases fully assess the potential costs (i.e. it is often of actual costs avoided), so individuals are not likely to feel inclined to pay. In addition to this is the fact that the avoided HMRC indebtedness may not be “real” but rather an estimate. Who benefits – and therefore who pays – should relate to the savings e.g. made to HMRC and the public purse in the case of tax advice, suggesting that there is value for government in funding tax advice and intervention.

DS1 ... how can consumers be encouraged to improve their financial capability ...

In our experience people are complacent and take no responsibility for understanding tax because they suppose that the system of PAYE operating since 1944 works well. In point of fact 1 in 3 PAYE codings are incorrect, but this tips over into a perceived problem only when HMRC begin chasing them for accumulated tax due. In these cases of course the inclination is to blame the Revenue, but the reality - that under self-assessment they are themselves responsible under the tax system for paying the correct amount of tax - escapes them.

Those clients advised by TaxAid find it relatively rewarding to have the aspects of tax as it applies to them explained by a sympathetic adviser, after which they are more inclined to take responsibility.

The financially excluded are less likely to have much contact with formal institutions or follow the usual route of going to advice agencies and are easily deterred from either seeking advice or following it up. We find it important to win over local community advisers, offer confidential (anonymous) telephone support both for clients and their intermediary advisers (often likely to be their relatives), and promote services in those “problem-noticers” venues such as GP clinics. Drop-in sessions enable the more chaotic or nervous to assure themselves of our accessibility, approachability and non-judgemental ethos.

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There are also bigger sticks with which to enforce compliance: the consequences of not addressing tax demands are mounting tax debt, penalties and interest. Failure to register income from self-employment is more likely (since 2005) to be considered as fraudulent and risks a prison sentence.

Information and support needs to be timely. For instance, support in completing the first tax return. We are often asked for specific advice about treatment of expenses, personal use items, capital allowances – **at the point where people have the form in front of them and don't know what to do**. Support from HMRC Enquiry Helplines for taxpayers with tax forms tends to be limited to which boxes figures should go in – not how to arrive at the figures. That is HMRC is not in the business of providing *advice* in the way that a professional tax adviser does.

In any case, we find that many unrepresented taxpayers are loath to contact a government department, and especially if they are in dispute with HMRC and need, but cannot afford, independent advice. In any case HMRC is not really designed to provide an alternative to advice from an independent accountant in respect of interpretation of the tax regulations; HMRC are equipped to tell people which boxes to fill in on their tax returns, not what to put in them.

Fear: people are generally reluctant to become compliant and meet their responsibilities under the tax system if they don't know what might happen to them if they come forward to the Revenue i.e. they need a third party to explain what their obligations are, how to meet them and at what cost.

Cost is an important consideration for those on low incomes – as is flexibility. For example, if it can be demonstrated that HMRC will understand their personal circumstances and help them meet their tax debt repayments at a level that they can manage and sustain, people are more likely to enter a dialogue with the Revenue – and indeed continue in employment to meet their obligations.

DS2 ... are there campaigns that have effected analogous behavioural change relating to ... other scenarios

HMRC find it very difficult – even on their advertising budget – to get a clear message across about tax matters (although it could also be argued that they don't spend money well!). For instance, obligations under Tax Credits are still poorly understood by the public and by generalist advisers (e.g. in July 2006, an astonishing 50% of front-line advisers in our survey did not get the filing date correct for Tax Credits – it is currently 31st July). Success on the issue of Tax Credits would be measured by: numbers of claimants getting their claims right and something more approaching 100% of target groups taking up entitlements.

DS3 ... attractive brand for generic financial advice ...

“Now let's talk money” is good title as wide ranging, egalitarian and avoids the regulated/unregulated dilemma.

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DS4 ... evidence on which engagement mechanism is likely to work best ...

In our experience of building services, “word of mouth” is key for all market segments – and the trusted adviser in a VCS advice agency is included in this. It’s not always accurate of course. TaxAid finds it very difficult to get media interest in “getting it right” i.e. the preventative end of advice as deemed unexciting.

DS5 ... for face-to-face are there particular locations that would be attractive ...

Our experience is that people are able and willing to travel to city centres to access good reliable (mostly one-off) advice that sorts out their problem, although there are difficulties on occasion with costs of travel and needing to take time off work. We aspire to move to a web video conferencing based service within 10 years, thus making obsolete the need for terrestrial venues.

DS6 ... generic advice provision would lead to a change in consumer behaviour ...

In respect of a change in consumer behaviour, our experience suggests that this might be possible if the model is right. Advice needs to be accurate, accessible and immediate to give customers confidence (for example in filing tax returns on-line). HMRC is a model of how *not* to provide advice: the structure of HMRC makes it difficult for people to know where they need to go for help. People are surprised that there is no single point where taxpayers can access all details about their tax position (e.g. pensioners who continue working may have to ‘juggle’ between two tax offices, or clients can both owe money to HMRC under Self Assessment and be owed money under PAYE or Tax Credits).

Where to go in HMRC depends where they are in the process (so for instance separation of compliance from collection – and even collection of income tax and national insurance, let alone VAT, invites traps). HMRC management is of course aware of this and seeking to develop “single entry” for taxpayers – but there are barriers to successful resolution. When dealing with unqualified generalists – let alone the public – it throws the onus on HMRC advisers to get it right; not something that is reasonable in the circumstances.

ES1 ... what organisation should be responsible for oversight/delivery of generic financial advice ...

National oversight is more efficient by far – the tax system delivers the same needs and problems across the UK. While it needs quality control for example it is a fundamental flaw that the controller does not understand the content of advice: for example CLS Quality Mark does not understand the content, merely the processes. This type of control system would be adequate for tax, given that professionals have their own regulatory bodies as individual practitioners. Bringing control into the regulated sector would create difficulties under the Money Laundering Directive.

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ES2 ... how should any generic financial advice serve be made accountable ...

Accountability should be commensurate with the level of funding given. The VCS is very familiar with reporting on achievements against contractual obligations e.g. targets, outcomes, expenditure. Burdensome controls divert resources to managing incoming funds – and tend to create another layer of management within the VCS. And time and throughput targets tend to mean less comprehensive advice with adverse impact on those with difficult/time consuming cases.

ES3 ... what should the relationship be between any new delivery body ... and existing services

The relationship would depend on funding – the sector is busy providing existing services, so filling any additional need and managing the subsequent relationship would require recompense (unless by happy chance the delivery body might be valued as a “gateway” if it fulfilled key objectives of the sector). For example CLS Direct requested that TaxAid should provide a specialist tax advice service for its callers but was not in a position to fund them. The cost of such services is about £100k a year which we were not able to cover ourselves and so we have, in the short-term, found funding from HMRC and the Lottery.

ES4 ... what mechanism ... to collect and distribute any potential financial contributions ...

Suitable funding programmes exist – which could be modified if necessary – and especially the Treasury “Invest to Save” programme would seem appropriate. The Financial Inclusion Fund currently has restrictions that makes it inaccessible to many advice providers. The mechanism should be bids for funding for meeting clearly set objectives of the funding body - HMRC have a good model as they are clear about their own objectives in providing grants-in-aid (i.e. departmental cost-cutting, understanding their customers, and increased compliance) nationally across their various customer groups and their “products”.

AO1 ... what advice service are you responsible for delivering ...

Tax, tax debt and Tax Credits. People on low incomes often have hugely complicated tax problems, of a range similar to those who do have professional advisers, but compounded by additional factors including such as Tax Credits and complicated work patterns. Advice on the sample included that on: self-assessed tax returns, pre-owned assets and inheritance law, National Insurance, PAYE, allowances losses, non-taxable expenditure for various trades and businesses, employment status, company law obligations, partnerships, construction industry scheme regulations, debt enforcement and Court proceedings, repayment negotiations, disputes with HMRC etc. Problems are presented at late stage in part because these clients haven’t had good *initial* financial advice and so our advisers have to be more concerned with intervention at a later – and more complicated/costly stage - in unpicking the various tangles than is the usual work of the tax profession. As one example, a common practice in some communities is to make

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wives “sleeping partners” of businesses – this is often to the detriment of the women and especially so on the death, desertion or business failure of the spouse because they are held responsible for their husband’s tax debts. A consequence of this practice is that it is very time-consuming to advise and provide satisfactory evidence to allow case closure at HMRC.

AO2 ... how is your advice delivered ...

National helpline; website (www.taxaid.org.uk); face-to-face in London and Birmingham (with a strategy to develop further 8 outreach in major cities).

AO3 ... legal, organizational and governance ...

Registered charitable company, headed by Trustees, management delegated to Director. Modest staff level of 7 + 7 self-employed outsourced qualified helpline advisers, 30 volunteers.

AO4 ... how funded ...

We have 4 income streams: Earned income from conferences and training; donations from the tax profession; Trusts and Foundations; and latterly more reliant on statutory and Lottery funding for our expansion.

BO1 ...who is your target market and how do you target them ...

Target market: anyone on low income – defined as 60% of median income or approximately £16k per annum - with tax problems in UK (although England preferred, with Scotland and Wales not particularly promoted). Since there are 15 million taxpayers in this income group who cannot afford to pay for advice, they are our potential market. Largely we are accessed by the target market, occasional need to refer to paid advisers those outside our remit. Targeted mainly through the VCS whose cooperation we solicit by giving free training, especially on Tax Credits.

The client base is hugely varied but typical clients with tax debt problems are more likely to: be on incomes of less than £10k; have children (and may be single parents and especially so in case of Tax Credit debt); be working or of working age – most probably in their 20s or 30s; live in rented accommodation. Alternatively, they are likely to be at the other end of the age scale and into retirement or living on benefits because of ill health and have tax debt problems going back several years into their former working lives.

TaxAid’s experience that those who are non-compliant primarily do not understand their obligations, find the tax system too complex, or are frightened of statutory authority/HMRC.

Those whose education, skills or other circumstances do not lend themselves to stable employment are more likely to be self-employed (voluntary or involuntary) and/or have complex employments including multiple part-time jobs, time unemployed on taxable benefits or a combination of these. Our experience of people in self-employment on low

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incomes is that they are sole traders with no additional internal resources in terms of management skills like budgeting, management accounts or cashflow analysis.

Apart from the on-going cases of Tax Credits overpayments and indebtedness, there are estimated to be an additional 1 million outstanding Tax Credits returns which will result in tax demands to former claimants for the whole of their previous year's award (Low Incomes Tax Reform Group of Chartered Institute of Taxation, Nov 05). Understanding entitlement to Tax Credits is important in avoiding or mitigating indebtedness (both to HMRC and generally). The poorest households are failing to claim the benefits to which they are entitled (£1.5bn in unclaimed Tax Credits: NAO 2006 figures). The Revenue has no obligation to inform individuals of their entitlements which may be substantial to offset against their liabilities.

One million currently outstanding tax returns indicate that many taxpayers will receive an estimated tax demand. These cases are passed to the debt collection agency of HMRC: at this stage debtors particularly need advice outlining the options to help resolve the problem and prevent loss of homes or livelihoods.

Additionally, the circumstances of their cases are overly complicated by late intervention in a problem which has then escalated, for example, those people who have suffered mental breakdowns have been unable to provide sufficient records to construct their tax returns and so are liable to find that HMRC imposes interest and penalties unless professional intervention confirms their case.

BO2 ... how many people use your service per annum. What sort of questions ...

We service 5,000+ with a huge raft of responses but the main categories are PAYE and tax returns, followed by inability to pay tax demands. Range of questions is vast and across the range of tax for individuals and self employed so relate to PAYE, taxation of pensions and benefits, tax returns, tax demands and debt, rights and obligations under the system, international tax treaty obligations for migrants – and much more.

We also handle the questions that HMRC is unable or not in a position to answer. Clients often tell us they did not feel they got an answer to the question they were really asking; they couldn't understand and act on what they were told (and everything from jargon to speaking accent can cause problems here); concern about the reliability of the information received meant the client wanted an independent 'second opinion'. It is not clear what steps HMRC take to ensure the accuracy of information provided – certainly a substantial proportion of TaxAid clients (estimated at 15%) who have already approached the Revenue for advice do not seem to have received (or understood?) correct information.

BO3 ... how many do you turn away ...

We know we don't reach the 30% or so a day who try to get through on our helpline (and we haven't the resources to call back beyond the urgent problems especially related to debt and Court appearances), so a capacity issue. And we estimate that ten times as many in need of help but aren't aware of TaxAid.

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BO4 ... what criteria for triage ...

Triage is operated on occasion to assess urgency using criterion of whether immediate intervention is needed to avert Court case or bankruptcy.

BO5 ... what referral policy do you operate ...

As a specialist adviser we mostly get, rather than give, referrals – although signposting is the norm as agencies don't want to get involved in the time-consuming need to otherwise track cases. We signpost to other financial services e.g. debt and bankruptcy advice.

BO6 ... what management information do you capture

As required by SORP (and auditors) and CC and Companies House, funders and as required for effective governance. Also to better understand the needs of our service users and undertake Social Return on Investment type studies.

BO7 ... how do you monitor quality and consistency of advice given ...

“Four-eyes” policy i.e. a senior adviser checks over all advice given by another. A degree of independent judgement is encouraged (for example how much information, options and ramifications of actions to give a caller will depend on the adviser's sense of what the caller is able to cope with). There is also judgement needed in terms of advised action, for example how HMRC will act on certain cases, so advisers need to use their experience and are encouraged to get a second view from a peer (much the same as they would in private practice). This sometimes conflicts with consistency, but is manageable in a small organization. The alternative of rote response is not needed at our level of training and expertise (unlike the system for example in HMRC).

BO8 ... liability for inappropriate advice ...

We have Personal Liability Insurance, but never used it nor would we employ or use as volunteer someone who had had occasion to use it. In practice, we would compensate from our own resources the small sums that could be a liability (never needed to though).

BO9 ... level and type of training ...

We require advisers to have the top accounting and tax qualifications in the first place, then provide costs for keeping accreditation with internal, in-house and external training.

BO10 ... payment arrangements ...

Salaried advisers between £35k and £50k, self-employed qualified helpline advisers £75 per hour, volunteers pro bono.

BO11 ... who are your advisers ...

All qualified tax and accounting, have worked previously (usually in Big Four) accounting firms

BO12 ... how do you work effectively with other relevant organizations

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Difficult due to time constraints, but where there is a balance of interests we devote time to managing the relationships (e.g. we train the VCS at no charge on appropriate tax awareness that assists referrals).

CO1 ... what is your operational model

Advice agency with services run from central London offices used for advice provision and admin. Outreach and outsourced helpline administered from London.

CO2 ... what is the cost structure of your service ...

Set-up is related to expanding services into further geographical locations, with training and publicity a necessary component. Most costs are direct service operational costs.

CO3 ... how long from blueprint to launch

This is not the significant period for service development as founded in 1992 as a “free” accounting firm – it has been the evolution that is more interesting. Still more like a private firm, but one that promotes “self-help” by teaching people about the bits of the tax system that affects them and helping them meet their obligations under that system. Then piloted tax advice over the phone (i.e. previously had just face-to-face provision) in a response to changing capabilities of our target market. Now run virtual call centre with advisers based across the UK (i.e. working from their home offices). Currently we have a pilot outreach in Birmingham in the premises and with staff of Big Four firms.

CO4 ... what are the components of your model ...

National helpline advisers given initial advice and instruct on how to take first step on handling tax problem. One in 12 see face-to-face adviser. Online resolves some issues and also generates phone calls to helpline for detailed help.

CO5 ... online service, how many use it ...do they pay

Built to 60,000+ use the website this year with 500 or so online queries & 1,000 phone calls generated. No payment involved.

CO6 ... key stats about your service ...

Average 20 minutes for helpline call, so one adviser can cover 6 calls in two hour session at cost of £125 fee. No charge to client. Face to face taken by volunteers.

CO7 ... how funded and what to do to qualify ...

As AS2 above. Restricted is mostly HMRC grant-in-aid. End of some large restricted grants remain for development projects from Foundations. No charge to clients.

CO8 ... quantify the social/ public benefits of service

As CS3 above. SROI demonstrates financial savings on average of £5k per casework client – but the HMRC debts are usually determined and not “real”. The average tax debt of our clients – i.e. those on low incomes - is around £10k, and tax debt is more likely than credit card debt to lead to bankruptcy as HMRC routinely sues for bankruptcy at debt of above £5k.

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CO10 ... how do you measure the effectiveness of your service

Through evaluation of case resolution. And Social Return on Investment as CS3 above.

DO1 ... what market research did you do before setting up your service

There is no other source of free, independent, confidential advice in these areas which supports the generalist debt advisers (who are unable to give tax debt advice). In 2002 we conducted a national gap analysis to identify other providers of tax and quality of the advice they provide (see **Appendix 3**). The evaluation illustrates that provision is sparse and random and where tax advice is provided (other than in London and Birmingham by TaxAid itself) it is small in volume and typically not optimum in that the organisations do not have the relevant and current skills. We conducted a number of case studies to evaluate the level and quality of advice available and found it to be limited, unsurprising in that for the most part they have neither the resources nor in-house expertise to monitor an expert adviser. Worryingly, for example, is that those with tax debts are often advised to declare themselves bankrupt based on an estimated debt which can be properly assessed by qualified tax professionals and found to be hugely over-inflated.

In the absence of expert advice and because tax debt to HMRC is excluded from Individual Voluntary Agreements negotiated by the voluntary sector, debt consolidators (like PayPlan) or debt advisers (from organisations like Consumer Credit Counselling Service, National Debtline, Business Debtline, Citizens Advice etc) do not include tax debt. Without concurrent tax debt advice clients with general debt are at risk of finding that their HMRC indebtedness has increased massively with interest and penalties (in extreme cases at £60 per day even for those on very low or no income). A further risk is that those with burgeoning tax debt will go to extortionate loan consolidators who typically “negotiate” with HMRC for a repayment schedule based on determinations, rather than assess the true debt (i.e. the consolidators have no interest in reducing the debt as their fee depends on there being a debt to meet). Another dubious scheme is perpetrated by “tax advisers” who offer to file tax returns at low cost in return for a massive percentage payment of tax “saved” – but invariably this will not be the actual level due as based on determinations.

DO2 ... what approach to advertising have you taken ...

We have trialled advertising in local papers re the existence of services, but too difficult to contain the information geographically (and we don't have resources to expand across the UK, so don't need “leakage”), also too expensive and poor uptake from (very modest) advertising.

DO3 ... how has your service evolved over time

See CO3

DO4 ... how did customer usage build up over time

It is difficult to manage the supply/demand balance for a free service dependent on grant income so this has been more about “pinching” need to meet resources.

TaxAid: submission for evidence for the Thoresen Review 2007

In conclusion, including tax as a subject under “generic financial inclusion” would enable access to advice in order to minimize their level of debt to the Revenue (through proper assessment) and maximize income (Tax Credit advice, remaining in employment/ self-employment, negotiating affordable repayment) thus avoiding risks to repossession of their homes and goods and loss of their livelihoods.

**Rosina Pullman, Director TaxAid
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