

OPEN CASES

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HMRC have advised that an OPEN CASE is one where an Individual's PAYE Tax liability has not been reviewed. There would seem to be two reasons for this situation and these are: There is an "inconsistency" with the Individuals tax record. There has been a failure to match the Form P14 with the Individuals tax record.

The operation of PAYE is large and complex but it is surely an UNACCEPTABLE situation when HMRC have not reviewed the liability of approximately 30% of the Working Population. We have discovered that 13,792,548 individuals tax liability for the year 2005/2006 remains unchecked after 50 weeks, that's 11 ½ months. What is going on

Every Payroll operator must send Forms P14 and P35 to HMRC by 19th May each year. There are penalties imposed on those who do not comply, and as we have seen recently, sometimes these are imposed on those who do comply!! This review of each Employee's liability to Tax is an important function because it is a basic responsibility of HMRC and it can only be right that those who have paid too much tax, have it repaid and similarly those who haven't paid enough are asked to make their contribution.

The idea that HMRC are unable to carry out a review of liability for over 13 ½ million individuals can not be an acceptable state of affairs. As if to make matters worse, the Tax Year 2005/2006 was the first year in which HMRC imposed their Data Quality Standard. This meant that unless the PAYE Forms P14 and P35 met the HMRC standard, they were not accepted. The sender was notified and the data had to be resubmitted, in an acceptable format. We have therefore a situation where HMRC lay down what is and is not acceptable, but despite the fact that vast majority of their Customers fully comply with the Data Quality Standard, millions of Employees do not have their earnings properly reviewed. The possibility that 30% of the Taxpayers Records, held by HMRC, have an "INCONSISTENCY" would lead anyone in Senior Management to undertake an immediate and concentrated exercise to discover why such a situation exists and what should be done to resolve the underlying problem. There does not appear to be any HMRC undertaking in this area, or if there is, it would not appear to be in proportion to the size of the problem. The other possibility is that 30% of the Taxpayers Records, held by HMRC, have not received the relevant Form or Forms P14 and again this would again lead any Senior Manager to begin an immediate investigation. It would also throw into question the ability of HMRC to undertake the simple process of attaching a checked, Quality Standard form to an Individual computer record. The fact of the matter is that there is something seriously wrong with the way in which HMRC are currently operating. The only seemingly visible action that is being taken is to spend vast sums of Public money on Electronic Systems. There is also the additional investment in publications, which on the face of it imply that Employers and those in the Payroll industry must do more. The following statement has been given by HMRC: "At the year end HMRC's computer system checks whether the tax an employee has paid in the year is consistent with the year end pay and tax information received from employers. The computer identifies discrepancies or fails to match information to a taxpayer's record in approximately 30% of cases, which are known as open cases, and must be checked manually. Open cases are a normal part of the PAYE process and the Department has an annual programme of work to ensure that all of these cases are reviewed and cleared. The Department's management information does not distinguish between cases where forms P14 have not yet been posted to the employees' record and an open case requiring a manual review as a result of inconsistency" The fact that HMRC's management information systems is unable to distinguish between situations where a Form p14 is missing and where an "inconsistency" exists, does not seem to be an acceptable state of affairs. Perhaps if HMRC had invested some of the Public Funds which were spent on the introduction of Compulsory Electronic Filing, on upgrading their management systems, things would be a whole lot better for millions of Individuals. Our Research Team have also discovered that the number of these Open Cases has increased over the past three years rather than improved with the imposed introduction of Data Quality Standards. The actual numbers have increased from 7.2 million to over 13.7 million in the space of three years, an extremely poor state of affairs. It would be interesting to discover how much the salaries of the Senior Management Team within HMRC have increased over the same period. This is a situation that should not be allowed to continue.