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# HMRC refund deluge signals poor tax comprehension

Advisers need to help their clients navigate the minefield of tax coding, after HM Revenue & Customs admitted nearly 6m people are due for repayment, according to tax experts.

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By Simoney Girard

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Seamus Murphy, senior tax manager for Taxback.com and Fiona Sharp, IFA for Norwich-based Almary Green, said the backlog of administration at HMRC had created a situation where 6m people were due for an average tax refund of £400, but 1.2m face an average bill of £600.

Mr Murphy said the problem stemmed from pay as you earn coding notices, whereby HMRC had a backlog of information relating to people's change of circumstance.

He said in 2008, there was a backlog of 32m cases and, despite a massive reconciliation process, there were still millions of outstanding cases in January 2010.

Mr Murphy added: "People in the UK are not brought up knowing about tax because it is mostly done through PAYE, so when they get their coding notices, they are not sure what they should be checking.

"They need to be aware of what they should tell the HMRC - more education is definitely needed."

Ms Sharp said: "I have had two clients who have had issues with their coding notices.

"One lady was quite upset as she did not understand it and HMRC wanted a lot of money from her. We got it resolved but it took about three months.

"I have another client, a lawyer, who has also had the same issue. He had already looked at his P45 and tried to reconcile it with the coding notices, and despite noticing an error, he is embroiled in a long administration battle with HMRC.

"People do not understand tax. Add to this the fear factor when they get an official letter from HMRC, and it is clear they need help. It is best to refer cases to professional connections such as accountants, because this is part of doing a good job for the client."