

Item 8

CIPFA FAN Tax Advisory Service – Digital tax survey

Eight years ago, we ran a survey to benchmark behaviours and approaches within the public sector to tax compliance. Since then, the landscape has shifted fundamentally - tax planning and compliance has become a sensitive high profile issue, the public sector has changed dramatically and many public bodies are now structured or undertaking activities that bring them within the scope of a wider range of taxes. And there are many further shifts on the immediate horizon too – *Making Tax Digital* is coming, technology will feature more heavily in tax compliance, and the regulatory landscape will change significantly as the UK leaves the European Union.

Given the changes over the last five years, and those on the horizon, now is the right time to run our survey again.

We are seeking to benchmark current trends in the management of VAT and other taxes across public sector bodies, how they are transitioning to an ever-more-digital environment, and compare plans for the future.

Organisations completing this survey will receive a priority copy of the Deloitte report based on survey results and be able to compare their organisation against the overall results. Participants will also have the opportunity to discuss specific issues arising out of the survey, including innovations in tax compliance, key ideas around developing a tax strategy, as well as the *Making Tax Digital* agenda and other ongoing tax simplification initiatives.

Access the survey by clicking [here](#).

About You

In this section, we ask you a little more about you so we can understand our results better. All comments will be treated confidentially:

1. Please enter your name.
2. Please enter the name of your authority.
3. Please enter your role in the authority.

Tax Compliance

In this section we explore how your authority manages tax right now.

A) General

1. Digital reporting under 'Making Tax Digital' is planned for introduction from 1 April 2019. This is likely to impact current processes, including your use of spreadsheets; records may need to be submitted through appropriate software. Have you considered the impact of these changes on your organisation?

[No, we haven't considered the impact of Making Tax Digital / We don't believe there will be a large impact, and we plan to continue with current processes / this will have a large impact, and we will consider the use of different technologies]

2. Given the increased frequency of reporting requirements and potential changes to required software, do you believe your organisation has the resources to cope with changing requirements under Making Tax Digital?

[Yes / No {Why Not? IT limitations / not enough staff / not enough internal support}]

3. Which of the following dedicated roles exist within your current tax function? Please tick all that apply:

[Tax compliance and reporting specialist / Advisor to the business on tax / leadership or management of tax strategy / role covering all of the above responsibilities]

4. How many full-time equivalent employed staff or contractors are focused on tax compliance and tax management functions? (e.g. two workers who spend half their time on tax would be the equivalent of one full-time staff member)

	0	0.5	1.0	1.5	2-3	4+
VAT						
CT						
Employment taxes						

5. How does the number of staff working on your organisation's tax compliance obligations compare to 5 years ago?

[Significantly larger / somewhat larger / the same / somewhat smaller / significantly smaller]

6. Do your employees or contractors also manage tax for other organisations? Check all that apply.

[Independent trusts / Trading subsidiaries / Other (e.g. district council) / Not Applicable]

7. If staff or contractors do not manage tax for subsidiaries and other entities, who does? Check all that apply.

[Subsidiaries' own employees/Auditor / agents]

8. Do you have clearly defined and documented roles, responsibilities and reporting lines within your tax function?

-Yes, formally defined and documented

-Yes, defined but not documented

-No

-Don't know

9. Is there a clearly defined structure in your tax function for managing and coordinating communication with stakeholders such as the wider body and tax authorities?

[-Yes, all communication is coordinated through one individual

-A number of people communicate with internal stakeholders but only one person communicates with tax authorities

-A number of people communicate with all stakeholders

-There is no formal structure – anyone can communicate with all stakeholders]

10. Which of the following steps do you consider to be most important to help demonstrate reasonable care in your tax accounting? Please rank by importance with 1 being the most important.

[Training programme / documented accounting processes / tax accounting technology / interaction with HMRC]

11. How many dependent organisations (eg, trading subsidiaries, trusts) does your organisation currently have?

[0 / 1-5 / 6+]

12. In what activities are those dependent organisations involved? Check all that apply.

[Commercial property / Residential property / Energy / Facilities managements / Social care or Health / other {Please describe: ____}]

13. How would you define your use of tax compliance technology for all taxes? Tick all that apply.

[-Very spreadsheet dependent

-Where possible, we use dedicated tax software

-Our use depends on the tax type

-We use technology to provide a controlled environment around our tax processes, with audit trails and deadline management]

14. How confident are you that your systems are robustly delivering the right level of quality data to support your tax compliance reporting obligations?

[Not confident at all / Somewhat underconfident / Unsure / somewhat confident / very confident]

15. Do you currently use Excel to manage tax records, or are they filtered through ERP software?

[Excel / ERP software {What is the name of your ERP software? ____}]

16. Have you changed accounting systems recently, or intend to change them?

[Yes, we've changed systems / no, but we intend to change systems / no, and we are not planning to change them]

17. Do you utilise any of the following technologies to support tax compliance and reporting processes? Tick all that apply.

[Tax manuals & process guides / e-learning & tax knowledge portals / shared workspace for collaboration and document management / compliance calendars and management reporting tools, including dashboard]

18. Would you consider investing in new tax compliance processes?

[Yes / Maybe / Probably not / No]

B) VAT

1. How many VAT returns does your team prepare and submit to HMRC every relevant accounting period?

[0 / 1 / 2-3 / 4-6 / 7+]

2. How much of your team's time, in hours, is spent on VAT compliance for the organisation each month?

[0-5 / 6-10 / 11-20 / 21-30 / 31-40 / 41-50 / 51+]

3. How much of your team's time is spent on VAT advice for the organisation each month?

[0-5 / 6-10 / 11-20 / 21-30 / 31-40 / 41-50 / 51+]

4. How much time, in hours, does the organisation spend monthly on (a) partial exemption calculations; and (b) forecasting the impact of the organisation's business plans on the partial exemption recovery rate?

[0-5 / 6-10 / 11-20 / 21-30 / 31-40 / 41-50 / 51+]

5. If your organisation is a local authority, how close is it to breaching the 5% test of insignificance? Please select the percentage which currently applies.

[Less than 1% / 1% - 1.99% / 2% - 2.99% / 3% - 3.99% / 4% - 4.99% / 5%+ / Don't know/Not applicable]

6. Do you feel that the relevant departments within the organisation properly take account of the potential impact of tax on their activities?

[Yes, always / Yes, but only when planning capital projects / Yes, but only when the tax team get involved / No]

7. Does your system undertake any automated check of data used for indirect tax compliance?

[Yes {Please describe: ____} / No / No, but we use 3rd party software {Please describe: ____}]

C) Corporation Tax ("CT")

1. How many CT returns does your team prepare and submit to HMRC every relevant accounting period?

[0 / 1 / 2-3 / 4-6 / 7+]

2. How much of your team's time, in hours, is spent on CT compliance for subsidiaries each month?

[0-5 / 6-10 / 11-20 / 21-30 / 31-40 / 41-50 / 51+]

3. How much of your team's time, in hours, is spent on CT advice for the organisation each month?

[0-5 / 6-10 / 11-20 / 21-30 / 31-40 / 41-50 / 51+]

4. Have you considered the impact of Making Tax Digital on the reporting of subsidiaries with corporation tax liabilities?

[Yes / No]

D) Employment Taxes/Payroll Taxes (“ET”)

1. How much of your team’s time, in hours, is spent on ET compliance each month?
[0-5 / 6-10 / 11-20 / 21-30 / 31-40 / 41-50 / 51+]

2. Do you outsource your payroll and P11D preparation?
[Yes / No]

3. Has the introduction of the new legislation relating to the use of Personal Service Companies in the Public Sector had an impact on your organisation?
[Yes / No]
[IF YES, OPEN TEXT BOX TO DESCRIBE]

4. Have you used HMRC’s new web-based tool (now called CEST “Check Employment Status for Tax”) – previously the ESS and prior to that the ESI - to assess the employment status of your self-employed contractors, whether engaged directly or through PSCs?
[Yes – all of them / Yes – some of them / No – none of them]

5. What impact has the new legislation had on your organisation?
[None / we have started accounting for PAYE/NIC through payroll on payments made to PSCs / we have employed the individuals concerned / we have had consultants leave/ we have decided to engage temporary labour only through agencies other / Other [OPEN TEXT BOX TO DESCRIBE]]

6. Has the introduction of the new legislation relating to “Optional Remuneration Arrangements – OpRA” (relating to salary sacrifice and cash alternative arrangements) had an impact on your Council and/or its employees?
[Yes / No]
[IF YES, OPEN TEXT BOX TO DESCRIBE]

7. Have you evaluated which benefits provided under OpRA are impacted and taken appropriate action?
[Yes – we are aware and have taken appropriate action to address changes in tax and NIC treatment / No – we don’t offer salary sacrifice or cash alternative arrangements / This is relevant to us but we have not yet seen HMRC guidance, so it is not clear what benefits are impacted and how.]

Tax Advisory

In this section, we will explore the steps your organisation has recently taken and is likely to take to react to tightened budgets and to prepare for a more digital future.

1. Which departments within the organisation do you see giving rise to the most tax issues given their strategic direction over the coming years? Select all that apply:
[Education / Environment & Planning / Health / Social Care / Housing / Leisure & Culture /

Transport & Infrastructure / Other (please specify [open field])

2. Is tax a mandatory consideration when your organisation develops new business cases for change?

[Yes / Not mandatory, but usually considered / Not mandatory and rarely considered]

3. What do you see as the key challenges in assessing the tax implications of the strategic direction for these departments? In order of priority:

[Lack of information from departments / Timeliness of tax input from the tax team / Complexity of tax law / Lack of clarity in HMRC guidance]

3. Whom do you approach when confronted with a complex tax query?

[Internal resource / auditors / tax advisers]

4. In what circumstances would you contact a tax adviser?

[OPEN TEXT BOX TO DESCRIBE]

5. What have you valued most in past interactions with tax advisers?

[OPEN TEXT BOX TO DESCRIBE]

Interaction with HMRC

In this section, we will explore some of the trends we expect to see over the next 5-10 years.

1. How often does your team communicate with HMRC regarding tax?

[Weekly / Several times per month / Monthly / Quarterly / Annually / Unsure]

2. Has your organisation made any error corrections in the past year?

[Yes {How many error corrections? ___} / No]

3. *[If answer above is 'yes'...]*

Please describe the scale of the errors reported to HMRC.

[OPEN TEXT BOX:_____]

4. Has your organisation been assessed by HMRC in the last year?

[Yes {How many assessments? ___} / No]

5. Has your organisation been inspected by HMRC in the last year?

[Yes {How many inspections? ___} / No]

6. Do you welcome greater interaction with the authorities under Making Tax Digital?

[Yes / Unsure / No, this represents additional burden]

7. If VAT fundamentally changed, would you have the resources to cope?

[Yes / Unsure / No]

Thank you for your time. You may now exit the survey.