

Compliance Reform Forum 24 June 2013

Agent members

Jason Piper	Association of Chartered and Certified Accountants
Glenn Collins	Association of Chartered and Certified Accountants
Brian Palmer	Association of Accounting Technicians
Tina Riches	Chartered Institute of Taxation
Stephen Barnfield	Chartered Institute of Taxation
John Kimmer	Association of Taxation Technicians
Paul Hill	Association of Taxation Technicians
Robert Maas	Institute of Chartered Accountants in England & Wales
Jane Moore	Institute of Chartered Accountants in England & Wales
Andy Tall	Institute of Chartered Accountants in England & Wales
Samantha Mann	Chartered Institute of Payroll Professionals
Sue Cave	Federation of Small Businesses
Gary Rowson	Tax Investigation Practitioners Group
Robin Williamson	Low Incomes Tax Reform Group

HMRC members

Louise Boyle (Chair)	Enforcement & Compliance Change
Dave Stephens	Compliance Operational Policy & Guidance Unit
Graham Ranson	Criminal Investigation
Duncan Gleig	Specialist Investigations
Jenny Cowles	Agent Strategy & Engagement Team
Laura Pollard	Risk & Intelligence Service
Michael O'Callaghan	Large Business Service
Ralf Cook	Local Compliance
Jane Howard (Secretariat)	Local Compliance

Guests

Edward Troup	HMRC Tax Assurance Commissioner
Narmada de Silva	HMRC Enforcement & Compliance Strategy Unit
Cecelia Boyle	HMRC Merchant Acquirers Project
Carol Lunney	HMRC Tax Simplification Project
Tracy Kirkham	HMRC Transparent Benchmarking Project
Jennifer Dean	HMRC Transparent Benchmarking Project

Apologies

Agent members: Chas Roy-Chowdhury (ACCA), Con Kelly (AAT), Bob Davies (CIOT), Elspeth Orcharton (ICAS), Brian Keegan (ICAI)

HMRC: Mark Leech (E&C Change), Jayne Banner (Local Compliance Change), Luke Liddiard (Tax Administration Policy)

Welcome and introductions

1. Louise Boyle welcomed everyone to the meeting. She introduced Jason Piper and Brian Palmer deputising for Chas Roy-Chowdhury and Con Kelly respectively and Stephen Barnfield from CIOT who was standing in for Gary Ashford. Gary had stood down as a CIOT representative. Louise expressed her thanks for Gary's long-standing and helpful contribution to CRF.

Last minutes and action points

2. The minutes of the previous meeting held on 27 February had been agreed and published on the HMRC Internet.

3. Action points 1 and 7 remained open. Work is still in hand to review and sign off all documents relating to HMRC's Review of Powers. HMRC will let agent representatives know when the documents are published. **(AP1)**

4. Action point 3 – tax agent representation on IR35 forum. HMRC will be carrying out a detailed review of IR35 operations. Terms of reference will be shared with CRF members. Representation on the forum will be considered as part of the review. Meanwhile the current representation will stand and views and questions on HMRC's operational approach to IR35 are welcome through any forum member. Information about the forum and minutes of meetings are available on the HMRC website at <http://www.hmrc.gov.uk/consultations/ir35forum-home.htm>. Both the AAT and ATT remained concerned that they are not represented on the forum. They will follow this up.

5. All other action points were regarded as closed.

Strategic overview

6. Edward Troup summarised HMRC's progress towards meeting its objectives and gave an outline of HMRC's future plans.

7. HMRC's objectives are to:

- maximise revenues
- reduce costs in a sustainable way
- improve the customer experience

8. So far, amongst other things, HMRC has successfully increased compliance revenues through targeting error, its campaigns approach and driving up deterrence. It has introduced Real Time Information and brought PAYE up to date, reducing the need for customer contact. It is reviewing its face-to-face and telephone services to provide more targeted support for those who need it and reduce HMRC costs.

9. In addition, HMRC is moving forward with improving its digital services:

- Tax for my Business – delivering a personalised homepage for customers with an overview of their HMRC account
- Agent Online Self Serve – allowing agents to see information about their clients and carry out a range of functions on their behalf
- PAYE online – allowing customers to report bank interest and benefits online
- Digital self-assessment – offering SA customers the ability to opt out of receiving paper communications and view them via a secure portal

10. Looking ahead, subject to funding, HMRC will look to build on the digital services above to provide a full transactional digital service enabling individuals, small and medium business customers and their agents to access their HMRC account to make routine amendments and carry out transactions.

11. In the compliance field, HMRC will move towards a new promote, prevent, respond approach.

- Promote good compliance by designing compliance into HMRC products and processes to reduce the scope for customers to make errors in the first place
- Prevent non-compliance at or near the point of filing a return by flagging up to customers and agents the need to check the information being supplied and giving them an opportunity to amend
- Respond to non-compliance by continuing to use appropriate interventions to tackle high risk customers, making more and more use of improved risking capability

12. A general discussion followed during which agent representatives made the following points:
- Not all customers are digitally-able.
 - Public debate around avoidance is largely misinformed and should HMRC be doing more to set the record straight?
 - HMRC will continue to be perceived as being soft on large businesses.
 - Unrepresented customers need more help and support to help them avoid making innocent and careless errors and being treated as acting fraudulently.
 - HMRC's plans to reduce costs will increase the financial burden on agents and clients, for example Real Time Information is increasing the cost of complying with PAYE obligations.
 - It is often still difficult to find the right person in HMRC to speak to.

13. In response, HMRC made it clear that it:

- Will continue to work with external stakeholders to meet the needs of customers unable to access its digital services.
- For reasons of confidentiality HMRC cannot enter into debate on particular cases. Public opinion is important and HMRC is doing all it can to encourage responsible behaviour
- Will continue to work hard to make sure that the UK's tax rules are operated as intended and that everyone, including large businesses, pays their fair share of tax and that HMRC is perceived to be treating all its customers even-handedly.
- Wants to help all its customers get their tax affairs right first time so that it can focus its compliance efforts on those who deliberately do not pay the tax that they owe. Better education and tools to help customers is a key part of its compliance strategy and it is very keen to work with representative bodies on how to improve education.
- Is not aiming to reduce or minimise costs within its control at the public expense. HMRC recognised that some customers may have incurred additional costs to enable them to deal with their PAYE obligations in real time but overall HMRC expects Real Time Information to reduce costs.
- Recognised that the current structure and all the changes meant it is difficult for people to keep up and know who to talk to. One of the aims of its digital strategy is to reduce the amount of face to face/telephone contact needed by giving customers and their agents online access to help them manage their tax affairs.

Merchant acquirer data project

14. HMRC outlined its intention to obtain data from merchant acquirers of the total payments made to businesses. Information about HMRC's powers to gather this data was announced in the 2012 Autumn Statement and 2013 Budget. HMRC is keen to obtain the views of representative bodies on how best to publicise this, what the deterrent effect might be and what the impact might be for agents and their clients.

15. HMRC clarified that it will not be obtaining transactional data, ie information about amounts paid by individuals, but information about the total amount of credit and/or debit card payments received by a business. This information might indicate that some businesses are under-declaring their takings for tax purposes or are not registered for tax purposes at all.

16. Agents felt it would be helpful for HMRC to publicise in advance what they are intending to do, making it clear what data they will be acquiring and how they intend to use it. The publicity should also make it clear how people can tell HMRC about any undisclosed income.

17. HMRC undertook to keep agent representatives informed about this project. **(AP2)**

Tax simplification project

18. Following concerns expressed by agents, customer feedback and user testing, HMRC had made a number of changes to the cash basis system and simplified expenses to make the system fairer and easier for small businesses. These changes are reflected in the Finance Bill 2013.

19. Agent members were concerned that software providers and small businesses will find it difficult, and costly, to run a cash basis system alongside the traditional accruals basis and also, if applicable, submit information in the required format to the Department of Works & Pensions in support of universal credit claims. They felt people will need more guidance to help them decide, without operating both systems, which system is the best for them and what change in commercial circumstances will HMRC accept as a reason for opting in, or out, of the cash basis system.

20. HMRC and DWP will align processes wherever possible but they cannot be aligned completely because tax and universal credits are different policies with different purposes. HMRC is working with software providers to ensure there are tools available to help small businesses operate the appropriate system for them and meet their filing obligations. Tools, guidance and communications will be user tested and HMRC will monitor people's behaviour to identify any problems and further guidance required. HMRC will provide feedback on the user testing. **(AP3)**

HMRC's approach to large business tax compliance

21. HMRC gave a presentation on its approach to large businesses, around 10,400 which pay 60% of the UK's total tax receipts. The largest, about 2,000, have a customer relationship manager. The rest are supported by a customer co-ordinator.

22. HMRC reinforced their aim is to maintain a level playing field across all businesses by working within a common set of risk priorities. This involves:

- prioritising the highest risks
- resourcing to risk by customer behaviour, by threats to regimes and by size and complexity

23. In dealing with those who bend the rules, HMRC will prioritise 'upstream' effort; first, changing behaviour through policy design and disclosure; then through rigorous case working and where possible within established relationships; and finally where appropriate through litigation.

24. Agent representatives wondered about the scope for corporation tax businesses at the top end of the small and medium enterprises spectrum to receive a customer relationship managed service. HMRC said it would not be easy to extend this type of service because of the resource implications but it was aiming to better understand the needs of such customers and look at how it assesses their overall risk so that it can develop a better service for those who need it.

Transparent benchmarking project

25. HMRC outlined its plans to test the value of publishing industry-norm benchmarks to help correct customer behaviour before or during returns filing to improve voluntary compliance and reduce errors.

26. A general discussion followed. Broadly, agent members favoured the concept but there were concerns about how businesses which did not meet the expected benchmarks would be treated and the potential increased burden on the taxpayer to prove why they fell outside of the benchmarks. Some taxpayers may use the benchmarks as a guide to determine their expected takings to keep below HMRC's risk factors.

27. HMRC said it was very keen to work with agent representatives to help develop the customer strategy and understand its impact. HMRC will consult via the CRF Campaigns

sub-group and said anyone who was not already a member of the sub-group was welcome to join.

Improved guidance on compliance check settlements

28. HMRC explained it was revising its compliance guidance to make it clearer that caseworkers should set out clearly their conclusions in relation to both duties and penalties and try to resolve any disagreements with customers and their representatives before closing a compliance check. In cases where contract settlements are possible, caseworkers should consider using formal assessments and determinations except where contract settlements are a more cost effective way of bringing a case to settlement.

CRF and the role of CRF sub-groups

29. CRF members agreed that CRF and its sub-groups is a consultative rather than a decision-making body. The purpose of CRF sub-groups is to allow for more detailed, confidential and in-depth discussions on specific compliance issues to help shape and inform HMRC decisions.

30. Wherever possible CRF sub-group recommendations should be endorsed by CRF but CRF members agreed this might not always be possible due to time pressures.

31. To address concerns that CRF sub-groups were becoming too independent of CRF and ensure that all CRF members had an opportunity to express their views, HMRC agreed to:

- appoint a single sub-group lead or contact for CRF members to feed comments to
- have terms of reference for each sub-group to ensure transparency and focus
- provide updates as soon as possible after each sub-group meeting

32. HMRC will co-ordinate action required with each sub-group. **(AP4)**

CRF sub-group updates (paragraphs 33-41)

Campaigns

33. HMRC provided details of the next tax campaign to be launched and would follow this up with information about activity for the remainder of the year. **(AP5)**

Record keeping obligations

34. HMRC is considering a number of concerns and issues raised by the Section 12B implementation sub-group around the interaction between Section 12B penalties for inadequate record keeping and Schedule 24 penalties for submitting an inaccurate return. HMRC will correspond with or hold a further meeting of the group.

Managing serious defaulters

35. This sub-group will be reconvened shortly to consider concerns raised by an agent representative about how the extended entry parameters announced by the Exchequer in February will be implemented in practice.

Single compliance process

36. This sub-group met in May to discuss the single compliance process (SCP) evaluation report. A wide ranging discussion took place. The SCP project board are considering the outcomes and recommendations of the report. HMRC expects to publish an updated agent briefing in August.

37. ICAEW said that agent representatives were still concerned that the opening approach in SCP cases did not allow represented customers sufficient time to tell HMRC if they want their agent to act.

Alternative dispute resolution

38. Following successful trials, alternative dispute resolution (ADR) is moving to normal business during 2013-14. The ADR process will be conducted by specially trained HMRC mediation facilitators. When the new national team is in place, HMRC will announce details on the HMRC website.

39. Agent representatives requested that HMRC's head of ADR be invited along to a future meeting to brief members about how ADR is settling into normal business. **(AP6)**

Fraud forum

40. HMRC provided a brief overview of the Fraud Forum meeting held on 12 June. Agreed minutes of the meeting will be circulated to CRF members and published on the HMRC Internet.

Business records checks

41. No sub-group meeting had taken place. There will be a meeting later in the year to discuss evaluation of the new process.

Connect data

42. Following HMRC's demonstration of Connect, its computerised risk assessing tool, to agent representatives, ICAEW asked whether there was a mechanism to correct or remove inaccurate data supplied by third parties.

43. HMRC said that it cannot amend incorrect data but alerts are issued to risk analysts to advise them.

Next meeting

44. 22 October 2013.

Action points	What
AP1	HMRC to advise when 'A History of Powers' is published and let agent representatives have a copy of the final report of the Powers Oversight Implementation Forum when this has been signed off.
AP2	HMRC to keep agent representatives informed about Merchant Acquirers project.
AP3	HMRC to feedback on outcome of user testing of tools and guidance for cash basis system.
AP4	HMRC to co-ordinate action required by CRF sub-groups to provide earlier feedback and lead contact points.
AP5	HMRC to let agent representatives have details of remaining campaign activity for 2013-14.
AP6	HMRC to include ADR on a future agenda