

# Compliance Reform Forum - Fraud sub-group

## Minutes of meeting held on 12 June 2013

### Attendees:

Jeremy Nottingham	Association of Accounting Technicians
Jason Piper	Association of Chartered and Certified Accountants
Arnold Homer	Association of Taxation Technicians
Gary Ashford	Chartered Institute of Taxation
Richard Wild	Chartered Institute of Taxation
John Cassidy	Institute of Chartered Accountants in England & Wales
Ian Browne	TaxAid
Gary Rowson	Tax Investigation Practitioners Group
Andrew Watt	Tax Investigation Practitioners Group
Ralf Cook (Chair)	HMRC Local Compliance
Anne Aldridge	HMRC Local Compliance Fraud
Hannah Wickstead	HMRC Compliance Operational Policy & Guidance
Nick Brain	HMRC Compliance Operational Policy & Guidance
Graham Ranson	HMRC Criminal Investigation Planning & Change
Duncan Gleig	HMRC Specialist Investigations Evasion & Fraud
Phil Snowden	HMRC Taskforces
Geoff Allen	HMRC Business Customer & Strategy
Jane Howard (Secretary)	HMRC Local Compliance

### Apologies:

Chas Roy-Chowdhury	Association of Chartered and Certified Accountants
Steve Botham	Chartered Institute of Taxation
Robert Maas	Institute of Chartered Accountants in England & Wales
Andy Cole	HMRC Specialist Investigations

### Welcome and introductions

1. Ralf Cook welcomed everyone to the meeting. He introduced Anne Aldridge, Graham Ranson and Duncan Gleig as the new HMRC representatives for their respective parts of the business. Also present was Amy Herbertson, an observer on work experience.

## Previous minutes and action points

2. The agreed minutes of the previous meeting had been published on the HMRC website. There were no outstanding action points.

## Role of HMRC Enforcement & Compliance

3. Ralf Cook outlined HMRC compliance roles and responsibilities. He explained that HMRC no longer operates on a local office basis. Work areas are organised functionally and operate on a national basis. There are four operational groups – Benefits & Credits, Business Tax, Personal Tax and Enforcement & Compliance. Enforcement & Compliance is sub-divided into Criminal Investigation, Risk & Intelligence, Debt Management & Banking, Specialist Investigations and Local Compliance. Risk & Intelligence officers are responsible for gathering and analysing information, identifying cases for review based on risk and behaviour. Work is distributed on a national basis, subject to resource and the type of intervention.

4. HMRC agreed to expand on some of the work areas covered by Business Tax and Personal Tax and consider the need for more contact points for professional bodies. **AP1**

5. There was a discussion about HMRC's criminal and civil processes. Arnold Homer said that, where an element of doubt remained about how the department was going to proceed, this potentially caused problems where someone engaged both an accountant and a lawyer. The accountant's advice would be to co-operate fully in order to mitigate any penalties under a civil investigation; the lawyer's advice might be not to speak to the department at all to avoid the client incriminating himself in a criminal investigation.

6. HMRC recognised the criminal recovery process was different from the civil process and the two could be required to be dealt if not all years or taxes under enquiry were included as part of the criminal process. HMRC could not influence legal advice but a payment on account in respect of aspects not within a criminal process might be considered to mitigate other liabilities.

## Disclosure facilities

7. HMRC apologised that its recent briefing on tackling the hidden economy had caused some confusion about the disclosure facilities available. HMRC clarified the current disclosure facilities available and re-emphasised that taxpayers who do not want to voluntarily admit to fraud should not use the contractual disclosure facility.

8. Member body representatives suggested that, where there is no obvious criminal intent, HMRC should consider the scope for providing people with some form of assurance against criminal investigation while their application is being considered or if it is subsequently rejected. They felt this may encourage more people to voluntarily disclose any tax irregularities.

## Taskforce activity

9. HMRC taskforces were launched in April 2011 as part of the department's 2010 spending review commitment to increase tax compliance. Focusing on high risk sectors in particular locations, the 2011-12 taskforces were expected to bring in more than £50 million. To date, they have brought in more than £65 million. 43 taskforces have been carried out so far with 84 suspected rule breakers referred for specialist or criminal investigation.

10. The latest taskforces to be launched cover the holiday industry in East Anglia and restaurant trades in Northern Ireland and London. HMRC is currently reviewing its taskforce approach to establish the deterrent effect and inform future activity.

11. There was a discussion about procedures and the handling of cases.

## High volume agents

12. HMRC updated member body representatives on the work ongoing with high volume agents who submit a high percentage of incorrect returns.

13. HMRC will always prosecute the most serious cases and from April there is also the new civil penalty for Dishonest Tax Agent conduct. However the main focus of the engagement is to improve the assurance processes used by high volume agents to provide a proper service for their clients and influence their clients with regard to their record keeping obligations. Where criminality is not evident and full co-operation is given, agents will be given the opportunity, if the circumstances dictate, to amend returns that fall within the taxpayer amendment period (for a 2012 return filed on time that would run up to 31 January 2014).

14. Current data shows that around 90% of high volume agents are not members of any professional tax or accountancy body.

15. HMRC will be publicising more widely what is happening in this area. Members of the forum discussed whether HMRC should be more proactive in advising customers not to use high volume agents and whether professional bodies themselves could do more to monitor high volume agent activity.

16. HMRC agreed to follow up some specific issues raised and provide further information on selection criteria. **AP2**

## Umbrella companies, status issues and employer PAYE failures

17. Ian Browne said that TaxAid were increasingly being contacted by people concerned about their employment under umbrella company arrangements and/or employers who do not appear to be meeting their PAYE obligations. He provided some case studies to illustrate the problems. TaxAid would like:

- a direct route for people to report their concerns to HMRC
- an assurance that HMRC will pursue the company/employer in question rather than the person affected

18. HMRC said they would ask their specialist employer compliance section to respond. **AP3**

## Hidden economy

19. The hidden economy forms a significant part of the overall UK tax gap. HMRC said it was keen to seek the views of member body representatives on its approach to this work and future strategy. HMRC will include this area of work on future agendas for discussion.

## Any other business

## **Deliberate behaviour penalties**

20. Member bodies flagged up concerns about the implementation of penalties and lack of consistency. HMRC will follow this up. **AP4**

## **Next meeting**

**25 September 2013.**