

Compliance Reform Forum

Notes of meeting held on 22 October 2013

Agent members

Chas Roy-Chowdhury	Association of Chartered and Certified Accountants
Glenn Collins	Association of Chartered and Certified Accountants
Brian Palmer	Association of Accounting Technicians
John Kimmer	Association of Taxation Technicians
Paul Hill	Association of Taxation Technicians
Heather Brehcist	Chartered Institute of Taxation
Bob Davies	Chartered Institute of Taxation
Andrew McKenna	Chartered Institute of Taxation
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
Elsbeth Orcharton	Institute of Chartered Accountants Scotland
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
Ian Browne	TaxAid

HMRC members

Louise Boyle (Chair)	Enforcement & Compliance Change
Jayne Banner	Local Compliance Change
Dave Stephens	Compliance Operational Policy & Guidance Unit
Luke Liddiard	Tax Administration Policy
Graham Ranson	Criminal Investigation
Jenny Cowles	Agent Strategy & Engagement Team
Laura Pollard	Risk & Intelligence Service
Ralf Cook	Local Compliance
Jane Howard (Secretariat)	Local Compliance

Guests

Jennie Granger	HMRC Director General Enforcement & Compliance
Geoff Allen	HMRC Local Compliance Fraud
Sarah Radford	HMRC Personal Tax Customer Product & Process
Angharad Davies	HMRC Evasion Publicity
Richard McConaughy	HMRC Local Compliance Strategy & Relationships
Pam Whitter	HMRC Local Compliance

Apologies

Agent members: Brian Keegan (ICAI)
HMRC: Mark Leech (E&C Change), Duncan Gleig (Specialist Investigations), Michael O'Callaghan (Large Business Service)

Welcome and introductions

1. Louise Boyle opened the meeting and welcomed new members Brian Palmer, Heather Brehcist and Andrew McKenna. On behalf of CRF, she expressed her thanks to Tina Riches (CIOT) and Con Kelly (AAT) for their valuable and helpful contributions to CRF. Both were standing down as agent representatives having been CRF members since 2007 and 2008 respectively.

Last minutes and action points

2. The minutes of the previous meeting on 24 June 2013 had been agreed and published on the consultative forums pages of the HMRC Internet.

3. Action point 1 to publish a single and cohesive history of the Review of HMRC's Powers, Deterrents and Safeguards remains open. Work is continuing on this but it is a large task and taking more time than expected. HMRC will advise when it has been completed. **(AP1)**
4. Action point 3. Following user testing, tools and guidance on the cash basis system have been published.
5. Remaining action points were either ongoing or closed.

Strategic overview

6. Jennie Granger (JG) spoke about HMRC's plans to transform the way it does business by becoming a more digital organisation, designing online services to help people get their tax right first time and improving its capability to use the data it holds to reduce customer error and target the highest risk areas. She recognised the importance of involving agent representatives to help inform how the department can improve its processes.
7. HMRC's current focus remains tackling the hidden economy and tax avoidance and improving debt collection. The department has recently undergone a large internal recruitment campaign, moving people into compliance posts and a big learning programme is underway to give people the skills they will need.
8. Agent representatives said they were very keen to work with HMRC to help them and their clients get things right. Initial thoughts included:
 - HMRC recruiting from the professional world to help up skill staff
 - more frontline staff with a broader skills base
 - greater recognition of more error types which are not fraud
 - letting agents know about potential tax risks so they can help to address these
 - more publicity about successful compliance activities and settlements to help deter deliberate fraud
 - gathering more evidence about the impact of publicity and marketing on people's behaviour and using this to inform future approach
9. On recruitment, JG said HMRC is keen to recruit externally and does so but, as a department, it also needs to downsize overall so has to look to move staff internally to fill vacancies. On skills, HMRC is reviewing the quality of training it provides to ensure it continues to meet tax professional standards and future needs. JG acknowledged there are skills gaps across the department's workforce, partly due to its history and partly due to the need for more people with direct tax knowledge. She agreed there was a need for more people with a wider knowledge base but it would be unreasonable to expect all frontline staff to have an in depth knowledge of the wide range of work carried out by HMRC.
10. On error or fraud, a key element of HMRC's new compliance strategy - promote, prevent, respond - is to design out as much as possible the scope for customers to make errors in the first place, freeing up compliance staff to tackle fraudulent activity. HMRC is actively exploring how it can make better use of publicity and the value of sharing information about key risks through its transparent benchmarking project. It is keen for agent representatives to be involved in this area of work and will keep CRF informed about progress. **(AP2)**

Business records checks

11. HMRC said agent representatives had provided valuable input into the redesigned business records checks (BRC) process which was launched in November 2012. Evaluation showed that visits to customers with inadequate records were effective in helping to improve their record-keeping standard. However, there were concerns

whether the current approach was targeting the right customers. As a result, at the last CRF BRC sub-group meeting HMRC and agent representatives had reviewed future options for this activity.

12. The options had been evaluated as part of HMRC's wider strategy and HMRC announced that from November 2013 BRC activity will move into a third phase concentrated in three development teams to look at new ways of using the checks. HMRC will continue to work collaboratively with agent representatives to review what good record-keeping should look like, how its risking process might be improved and consider how BRCs could be used more flexibly to support the new compliance strategy.

13. HMRC confirmed that where customers whose records were considered to be inadequate had received a follow up visit, the standard of records had improved. They had not tested the accuracy of the subsequent return or whether the right amount of tax had been paid. The focus of the activity was to improve customers' record-keeping standards to enable them to submit correct tax returns.

Agent strategy

14. The Joint Tax Agent Strategy Steering Group (JTASSG) is the main point of engagement with agent bodies on the development of HMRC's Agent Strategy. The next consultation paper has been deferred while the group continues to look at issues arising from the previous consultation and develops a better understanding of how HMRC's digital strategy might affect the way the department works with agents in future. In the meantime, HMRC is moving forward with its agent online self-serve facility which will allow agents to carry out a range of functions on their clients' behalf. This work is being done in conjunction with the cross-government Identity Assurance programme to provide assurance about business identity and agent professionalism.

15. In addition work is continuing on Agent and Client Statistics, exploring how best to utilise improved digital linkage of information held by HMRC about agents and their clients to help identify any agents who need additional support to help their clients comply.

Agent protocol

16. HMRC advised that a new Agent Engagement Group sub-group has been set up to look at how HMRC honours the HMRC Charter commitment to "accept that someone else can represent you". HMRC already considered this earlier in the year from a compliance point of view and gave an assurance that they keep appointed agents informed about any direct contact with their client. In light of HMRC's digital aims to enable individual and business customers to self serve and carry out transactions online, there is a need to look at this from a wider point of view.

17. Agent representatives agreed the need for a recognised way forward and asked that work on this issue proceed quickly. They were disappointed for instance that HMRC intends to write to customers under the UK/Swiss tax agreement bypassing appointed agents. HMRC recognised this was a sensitive issue and would look to raise awareness across compliance business areas of the commitment not to bypass appointed agents. **(AP3)**

IR35 work

18. HMRC referred to the draft framework for the review of the new IR35 processes introduced in 2012. HMRC welcomed the views of CRF agent representatives and will keep CRF informed about progress.

19. Agent representatives who have substantial numbers of IR35 clients stressed their keenness to be involved and to be members of the IR35 forum. HMRC committed to undertaking an early look at membership of the forum as part of the IR35 review process. **(AP4)**

High volume and repayment agents

20. HMRC provided a written update on the operational work underway to improve the performance of high volume and other repayment agents. A "core script" to keep the tax agent community informed about HMRC activity is being developed.

21. Agent representatives were concerned about unscrupulous agents operating in this area, often advertising themselves as registered HMRC agents. They felt making it easier for customers to claim repayments themselves would help to stop customers using repayment firms.

22. HMRC will take action against repayment agents who misrepresent themselves as HMRC does not register, regulate or accredit repayment agents. HMRC already provides advice to customers about using agents who imply they are authorised or accredited by HMRC on their website [Agents who advertise as registered or authorised agents of HMRC](#). Work is underway to improve how HMRC handles repayment risks and make it easier to deal with customers' claims.

23. Agent representatives were also concerned that, where incorrect repayment claims have been made, some repayment agents and their clients may have been treated too leniently. HMRC reiterated that the primary objectives of this work were to reduce tax losses and drive future behavioural change in repayment agents and their clients. If fraud is suspected, HMRC will take stronger action.

24. Looking ahead, HMRC will be considering what action it can take through education and support activity to improve lower risk repayment claims handled by construction industry scheme agents.

Risk & Intelligence Service

25. HMRC provided an overview of its Risk & Intelligence Service (RIS). It is responsible for developing risk and intelligence led products to enable HMRC to understand, manage and tackle risks to the tax system.

26. Agent representatives were interested in knowing more about HMRC's risk processes and procedures and exploring how they can support HMRC to prevent risks.
(AP5)

Single compliance process

27. HMRC confirmed the trial to test a new single compliance process for most future small and medium business compliance checks concluded on 31 March 2013. The process has now been adopted as standard practice. HMRC thanked agent representatives for their considerable help in developing the process.

28. CRF agreed the CRF Single Compliance Process sub-group which had been set up to help design the process could be disbanded.

CRF sub-group updates

29. Written updates had been provided in advance of the meeting.

30. Record keeping obligations. Issues raised by the sub-group when it last met on 18 February 2013 are still under consideration.

31. Managing serious defaulters. Members of the sub-group met on 17 July 2013 to clarify specific issues about the widened entry criteria for managing serious defaulters. As the new criteria are now in place, CRF agreed no further meetings are required and this sub-group can be disbanded.

32. Alternative dispute resolution. On 2 September 2013 HMRC announced that alternative dispute resolution (ADR) had become regular business for individual customers and small and medium businesses involved in compliance disputes. ADR will also continue to be available for large businesses. The CRF ADR sub-group will continue to meet to monitor the process and assist with further development. An update on how ADR has settled into normal business will be provided at the next CRF meeting. **(AP6)**

33. Fraud forum. This group last met on 25 September 2013. Key issues discussed were HMRC's high volume agent activity and the Contractual Disclosure Facility.

34. Campaigns. The CRF Campaigns sub-group had met several times to deal with issues arising and assist with the development of HMRC Campaigns work. Details of all HMRC's latest campaigns and results are available through the HMRC campaigns website. In line with the migration of all government websites to a single site, this information can also be accessed on the GOV.UK site.

Evasion publicity

35. HMRC outlined its plans for further publicity using various media to influence and deter individuals and businesses who are or might be tempted to break the rules and encourage them to change their behaviour.

36. Agent representatives were concerned that some of the language used in the publicity might inadvertently discourage people from coming forward, for example "you have nothing to fear" might unintentionally suggest to some people that there was something to fear. HMRC said it would be evaluating how people responded to the advertising.

37. Agent representatives also pointed out that there were no contact details on the 'Sortmytax' website for obtaining paid for professional help. This has led to an increase of requests to TaxAid for advice from people who do not qualify for TaxAid support. HMRC said they are looking at improvements to their help and advice pages as part of the move to the GOV.UK site. TaxAid requested that improvements are made before any further publicity is launched. **(AP7)**

Next meeting

38. 26 February 2014.

Action points	What
AP1	HMRC to advise when 'A History of Powers' is published.
AP2	HMRC to keep agent representatives informed about the transparent benchmarking project.
AP3	HMRC to ensure compliance business areas are aware that they should not bypass appointed agent representatives.
AP4	HMRC to review membership of IR35 forum.
AP5	HMRC to invite Head of Risk & Intelligence Service to a future meeting to discuss HMRC's risk processes and procedures.
AP6	HMRC to provide an update on Alternative Dispute Resolution at next meeting.
AP7	HMRC to signpost how customers can obtain paid for professional help on the Sortmytax website.