

ADMINISTRATIVE BURDENS ADVISORY BOARD

Minutes of Advisory Board Meeting 4th February 2014

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13.00 – 17.00

G16, 1 Horse Guards Road, London, SW1A 2HQ

Advisory Board Attendees: Teresa Graham (TG), Andrew Hubbard (AHu), Chris Graham-Bell (CGB), Malcolm Bacchus (MB), Roger Southam (RS), Allison Harper (AH), Karen Thomson (KT), Alastair Keir (AK), John Whiting (JW), Martin Jones (MJ), Rebecca Benneyworth (RB)

Apologies: Paul Aplin (PA)

HMRC / HM Treasury Attendees: Theresa Middleton (TM), Jim Harra (JH), Simon Woodside (SW), Tony Kelly (TK), Elena Williams (EW), Neil Philpott (NP) – Secretariat, Matthew Henty (MH) – HM Treasury

Apologies:

Guests:

RTI Programme, Martin Sellar (MS), Lynn Carroll (LC) and Terie Little (TL)

Business Customer Experience Team, Sharon Egan (SE)

Director General Enforcement and Compliance, Jennie Granger (JG).

Enforcement and Compliance, Narmada de Silva (NdS), Michael Hallsworth (MH), Laura Pollard (LP), David Croad (DC)

Observers: Tarveen Singh (HMRC, BC&S), Monica Saunders (HMRC, BC&S), Ben Moore (HMRC, Enforcement and Compliance)

Welcome/Update

Teresa Graham (TG) welcomed everyone to the meeting noted apologies from Paul Aplin.

Review of action points/issues log

1. TG reviewed the open action items and agreed to close APs 01, 15, 16, 18 and 26.
2. AP23 – Tony Kelly (TK) explained that some work on the small business impact test has been done specifically around providing better understanding and guidance. Work on this will continue with Rebecca Benneyworth (RB) after the Budget.

AP – Refer discussion on Close Company Loans (AP22) to the CTIS challenge panel.

Update on RTI

3. Martin Sellar (MS) provided an update:
 - the performance of RTI is going well, with the migration nearly complete,. But there are still some transitional issues to be resolved, including 10,000 open dispute charges;
 - representation to delay issuing penalty notices is currently with ministers; and
 - having engaged with the working group, the scheduled publication on the review of savings has been moved to the summer in order to better understand and capture the end of year process.
4. Karen Thomson (KT) reported on the latest position from the working group. There is still some disagreement around the reported savings but RTI itself is not burdensome; it is the transitional issues and some other fundamental issues around DMB disputed charges that is clouding delivery. A post event survey will provide further clarity as to whether RTI has resulted in savings or not. KT then commented that HMRC is working hard on these issues but more money is required to resolve issues posed by NPS.
5. RB stated that she has no confidence that the issuing of penalties (late filing and late payment) would be dealt with correctly by HMRC.
6. Malcolm Bacchus (MB) commented on the effect of the extension to the easement on small businesses who pay staff/salary costs on piecework basis. He questioned the broader impact on government policy, and also whether the easement could be made permanent if it is not affecting total revenues.
7. John Whiting (JW) generated a discussion around the Business Tax Dashboard (BTD) and the delay in displaying payments made to HMRC. TK agreed that there are delays in updating the system and that BTD is updated twice a month, but that 'Your Tax Account' will eventually replace BTD with a much improved offering. Lynn Carroll (LC) indicated that HMRC is currently exploring ways to tailor messages on the BTD in the interim. Alison Harper (AH) said that HMRC shouldn't therefore be sign posting customers to BTD if the service is not working correctly.
8. AHu raised a concern about the impact on Universal Credits when employers process RTI on wrong days. KT expressed the need for DWP to hear these concerns and to

explain their position on this. TK agreed that we will work with other areas of HMRC and DWP to bring this to future meeting.

AP – Work with other HMRC business areas and DWP to raise concerns and bring back to future meeting

9. TG suggested the Board should write to the XST to highlight concerns regarding the imposition of penalties.

AP – Letter to be issued to XST on RTI Penalties concerns.

Autumn Statement ‘Easier, Quicker, Simpler’ Update

10. TG explained that she and John Whiting (JW) (in his OTS capacity) were pleased to have been engaged in the development of this update.
11. Sharon Egan (SE) explained that early engagement with businesses and key stakeholders helped shape the design of the document. And that internal and external communication channels were utilised to promote the document. SE also talked about the planned event with the FSB to further promote this work
12. Simon Woodside (SW) then explained that contained in this update was the launch of ‘Tell ABAB’. Initially there had been few submissions but following the circulation of an email to VAT registered businesses the portal received 21 responses in a week. SW then recommended that a small group of ABAB members work with the secretariat to review those and subsequent responses and provide six monthly reports.
13. MB queried the ability to identify those that submitted a response in order to update them on progress. Elena Williams (EW) stated that due to confidentiality and other data security issues this is not possible. RS commented that a link needs to be provided to where the responses will be published.
14. TG and the Board were pleased with the updated document and confirmed that KT, MB and Alison Harper (AH) volunteered to be on the relevant working group.

AP – Working group to meet and review current analysis of ‘Tell ABAB’ submissions.

Enforcement and Compliance

TG welcomed Jennie Granger, Narmada de Silva, Michael Hallsworth, Laura Pollard and David Croad.

Update from HMRC Director General Enforcement and Compliance – Jennie Granger

15. TG welcomed Jennie Granger (JG) and asked her to share her experience after her first full year in HMRC.
16. JG explained that prior to joining the department she had engaged with and had good links with HMRC and it’s predecessor department, and felt she had some knowledge of the issues she would be facing. These however became a lot clearer upon arrival.
17. Some early observations:

- The demographical spread in the UK is different. In Australia the tax authority must deal with a big geographical area with a relatively small population; the UK has a small geographical area with a big population. Both provide different challenges, particularly in relation to compliance.
- Having staff in 150 locations poses a challenge for leaders who wish to be visible to all of their staff.
- There are also 26 enquiry centres across Australia, compared to currently 200 in the UK.
- Despite the geographical spread in Australia, technology brought everyone closer. HMRC is working hard to achieve that. The ground breaking CONNECT system is very good, but it links up over 200 little systems.
- HMRC's reputation for a being world class policy organisation is recognised internationally, as is its reputation for the development of cutting edge techniques to improve compliance behaviour.

Enforcement and Compliance strategy – Narmada de Silva (NdS)

18. NdS outlined HMRC's compliance strategy and how two thirds of it is deliberately focused on not reaching enforcement action. The strategy is to:

- Promote voluntary compliance;
- Prevent non-compliance by making it harder and nudging people in the right direction; and
- Respond only where we have to.

The default position is to facilitate voluntary compliance, by making it as easy as possible to comply.

NdS then gave an example of how the VAT registration process had been transformed and then talked through the ways in which Enforcement and Compliance provides tailored support and education to customers, mostly through digital channels.

Non-payment by small businesses is a significant issue but HMRC actively supports those businesses by offering a Business Payment Support Service, which provides a high profile and fast track 'gateway' into the HMRC decision-making process for businesses seeking Time to Pay (TTP), and to give quick decisions in the simpler and lower risk cases. HMRC currently provides support to about 15,000 SMEs with TTP arrangements totalling £860m.

19. Latest figures put the SME tax gap at £16.7bn. Tackling non-compliance is about fairness and having an even playing field. HMRC does this by utilising clever analytics, and taking an intelligence led and risk based approach. The department is developing its ability to nudge people into the right space and change behaviour. The 'eyes' publicity campaign is an example of this approach.

Behaviour Change – Michael Hallsworth (MH)

20. MH delivered a presentation on the ground breaking behaviour change techniques being used within HMRC and how using different techniques can influence the compliance behaviour of customers.

21. TG and the rest of the Board commented on how fascinating this subject was and how this should be shared more widely. MH responded by informing the board that he was in the process of writing an academic article on this and would be happy to share this once published.

AP – MH to provide Behaviour Change academic article with ABAB once published.

Campaigns – Laura Pollard (LP)

22. LP explained that HMRC runs four campaigns per year based on multi criteria decision analysis. The campaign approach is:
- **Education** to help customers understand their obligations and promote compliance delivered through a range of channels
 - **Transparency** about who we are targeting, working with intermediaries to understand common risks & problems getting in the way of compliance
 - **Nudges** to encourage customers to make the right choices for themselves, reducing the chances of penalties being incurred
 - **Tools** to support customers in getting things right
 - **Respond** with robust follow up for those who are committed to non-compliance – a level playing field for those who comply
23. LP also explained the process for campaigns: starting with pre-launch - where HMRC identifies and engages with Intermediaries launch; and then voluntary disclosure, where a series of techniques are used to promote voluntary compliance (e.g. Nudge Letters, Targeted letters and tools and education). LP then gave an example of how nudge letters, targeted at medics who had one or more outstanding tax return in the last four years, had resulted in an additional £23.6m revenue.
24. JW asked about general disclosures and LP responded that anyone can voluntarily disclose at anytime via a helpline. RS commented that he had been on the receiving end of a voluntary disclosure and the tone of letters and approach has been very easy.
25. AHu commented that his view on HMRC campaigns had changed following this presentation. Members were in agreement about the importance of exposing the benefits of this work and KT recommended releasing communications titled 'On your behalf' which informs customers of what HMRC is doing better for them and why. RB also commented on releasing further statistics once a campaign had ended to demonstrate numbers of prosecutions.

Alternative Dispute Resolution (ADR) – David Croad (DC)

26. Following the pilot, ADR moved to business as usual in September 2013. There have been over 600 invitations/applications since 2011. Currently 110 SMEi disputes are being worked. Over 80% of disputes are either fully (vast majority) or partially resolved and on average each case takes three - four months to resolve. To embed ADR further, HMRC will undertake more publicity online and at outreach events. ADR is seen to be fair, effective, and popular and reduces costs for everyone.
27. AHu expressed delight with this work and asked about the feedback process. DC explained that feedback is relayed once the process has concluded,. Asked how customers know about the ADR process DC explained that HMRC caseworkers, seeing

the benefit of this approach, invite customers to undergo ADR. Publicity is also gained through working with stakeholders at professional associations. Responding to a query by Alastair Keir (AK), DC stated that approximately 28% of cases are not accepted for ADR, one of the main reasons being that the application comes in too late or too close to the tribunal date.

AP – David Croad to provide analysis of the reasons why some ADR applications are unsuccessful

28. TG rounded off the Enforcement and Compliance agenda item by commenting that the work is fascinating and that there was a lot of good work going on beyond what the Board thought was possible. She reiterated the need to better promote the work that was presented, specifically in the more sensible press publications e.g. Accountancy World.

Review of the ABAB forward look

29. Members reviewed the forward look document and reiterated the items that had been raised at previous stages of the meeting that they would like to be added to the agenda.

AOB

30. As the ABAB representative on the Universal Credit programme, RS gave an update of his involvement with the project team. He summarised by indicating that the project is going in the right direction but is at a very early stage of engagement.
31. As the ABAB representative on the Transparent Benchmarking Project, MB provided an update on the project and explained that there had been two meetings to date: The first was to discuss overall objectives and understand ideas on profit levels. The second meeting was to discuss the letters to be used in the trial and the tone and language of these. MB highlighted issues around sending letters to agents who would have clients both in and out of the trial.
32. The trial will be in place by March 2014 and, assuming successful evaluation of the results, the process will be rolled out across all business sectors for April 2015. There is a potential impact on SA returns in 2015, as businesses may worry about potential compliance intervention due to legitimate sales figures falling outside ranges.
33. RB indicated that this type of benchmarking can work but HMRC needs to get a better understanding and experience of the business sectors to ensure the model is sophisticated enough to succeed. TM agreed and also commented that HMRC needed to account for regional implications when setting these benchmarks and was unsure if HMRC had the data and understanding to include this.
34. MB summarised by stating that he felt the project was moving in the right direction.

Next meeting

The next meeting will be held on Tuesday 15 April 2014, from 13:00 – 17:00 at G/16, 1 Horse Guards Road.