

Compliance Reform Forum

Notes of meeting held on 26 June 2014

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
Paul Hill	Association of Taxation Technicians
Will Silsby	Association of Taxation Technicians
Andrew McKenna	Chartered Institute of Taxation
Stephen Relf	Chartered Institute of Taxation
Robert Maas	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
Joanne Walker	Low Incomes Tax Reform Group
Ian Browne	TaxAid
Gary Rowson	Tax Investigation Practitioners Group

HMRC members

Louise Boyle (Chair)	Enforcement & Compliance Change
Jennie Granger	Director General, Enforcement & Compliance
Ian Quelch	Business Customer & Strategy
Paul Miller	Central Policy
Chris Simpson	Counter-Avoidance
Graham Ranson	Criminal Investigation
Michael O'Callaghan	Large Business Service
Jeremy Stalley	Local Compliance Change
Laura Pollard	Risk & Intelligence Service
Ralf Cook	Local Compliance
Jane Howard (Secretariat)	Local Compliance

Guests

Pedro Wrobel	Debt Management & Banking
James Dunstan	Debt Management & Banking
David Croad	Alternative Dispute Resolution Unit
Kathryn Ellis	Criminal Investigation

Apologies

Agent members: Brian Keegan (ICAI), Bob Davies (CIOT), Jane Moore (ICAEW), Robin Williamson (LITRG)

HMRC: Jayne Banner Local Compliance Change, Dave Stephens Compliance Operational Policy & Guidance Unit, Duncan Gleig Specialist Investigations

Issues covered

Direct recovery of debt
Counter-Avoidance
Dispute resolution
Agent strategy and protocol
CRF sub-group updates
High volume agent work
Extended use of email
Effective rate of tax letters

Welcome and introductions

1. Louise Boyle welcomed everyone to the meeting, in particular Will Silsby and Stephen Relf as new agent representatives on behalf of ATT and CIOT respectively. She also introduced Jennie Granger, Director General, Enforcement & Compliance who will be taking over as chair of the Compliance Reform Forum following a change of role for Louise within HMRC. Louise thanked everyone for their support and contributions to the forum during her tenure as Chair.

Direct recovery of debt

2. HMRC summarised the consultation process to date on the proposals for a new power which will allow HMRC to recover money owed to the Exchequer where debtors hold significant funds in their accounts. The power will only be used to target a small core of taxpayers who are reluctant to pay, owe significant debts and have sufficient funds in their accounts. This will help to level the playing field between those who pay on time and those who choose not to.

3. The main concerns emerging were:

- Risk of HMRC pursuing debts in error. HMRC said there will be robust safeguards. Action will only be taken by a specialist team against those who have established debts and after all other attempts to recover the debt have failed. In the event an error does occur, there will be safeguards in place to ensure that any mistake is rectified quickly and compensation paid. There will also be appropriate appeals channels in place.
- Creation of hardship and protecting vulnerable customers. HMRC believe there are sufficient safeguards built into the proposals to enable customers to halt the process at any stage to query the amount they owe or discuss time to pay arrangements. Written correspondence could include contact details for organisations that can provide independent advice and there will be a dedicated telephone helpline. HMRC do not want to create hardship and will use all the knowledge it has about a customer, including face to face contact, to ensure they are pursuing the right people.
- Lack of judicial oversight. Customers will have an opportunity to appeal. HMRC are seeking views on the best route for this as part of the consultation and will clearly set out the process.

4. Agent representatives raised a number of other points including impact on bank/customer relationship of HMRC seeking customer details from bank, withdrawing money from inappropriate accounts (for example joint accounts following a marriage breakdown, nominee accounts) and the scope for customers to easily avoid the process by removing money from accounts.

5. HMRC said it is clear that, if granted, it will only use the new power as a last resort against a small minority of customers who are reluctant to pay, owe significant debts and have sufficient funds in their accounts. And, before using the power, HMRC will have made every effort to contact the customer beforehand to arrange payment.

6. HMRC thanked the professional bodies and other organisations for their contributions. The consultation process was ongoing and HMRC welcomed any further views or comments, in particular any thoughts on distinguishing accounts which should not be targeted and how to counter any attempts to avoid the process.

7. Agent representatives asked that HMRC seek to ensure that as much as possible of the process and procedures relating to the new power is written into the legislation rather than subsequent HMRC guidance.

Counter-Avoidance issues

8. HMRC provided an update on several issues and advance notice about a new settlement opportunity for contractors, more information about which will be sent to agent representatives after the meeting. **(AP1)**

9. HMRC also advised that they are considering setting a closure date on the opportunity for employers and other users of employee benefit trust schemes to settle any outstanding matters under the Employee Benefit Trust Settlement Opportunity.

10. As part of the tougher plans for tackling marketed tax avoidance schemes, HMRC said it will publish guidance and start issuing accelerated payment notices when the legislation has received Royal Assent. HMRC will also publish a list of current DOTAS (Disclosure of Tax Avoidance Schemes) reference numbers which it expects may attract an accelerated payment. Customers who are unable to pay will be able to discuss payment options with HMRC. And customers who expect to receive an accelerated payment notice in the future may contact HMRC in advance to discuss settling their tax bills before an accelerated payment notice is issued.

11. Agent representatives asked what HMRC is doing to discourage customers from still going to scheme providers. HMRC said the package of measures in this year's Finance Bill and forthcoming consultation on the DOTAS rules should help to address this.

12. HMRC apologised for an error which saw some agents receiving letters for customers which were not their clients. Steps have been taken to prevent this happening again.

Dispute resolution

13. Last year, HMRC announced that an Alternative Dispute Resolution (ADR) process for small and medium enterprises and individuals whose tax affairs were being looked at by HMRC Local Compliance was now part of business as usual. HMRC said the three year journey to introduce the process could not have been achieved without the help and support of the CRF ADR sub-group. Around 90% of cases taken to ADR are successfully resolved and HMRC is looking to extend the approach to other business areas. To help oversee that and continue to involve the agent community in the design and delivery of changes to dispute resolution activities, HMRC proposed to set up a new CRF Dispute Resolution sub-group. The ADR sub-group would be dissolved.

14. CRF accepted the proposals and invited the external bodies to nominate representatives for the group.

15. Agent representatives felt some HMRC staff were reluctant to use ADR. HMRC said it will continue to look at how it promotes dispute resolution, internally and externally.

HMRC agents strategy

16. HMRC said that it is moving forward with its Agent On-line Self Service (AOSS) facility which will allow agents to carry out a range of functions on their clients' behalf. In line with its Agents Strategy, HMRC is keen to work with software providers, professional bodies and other organisations to develop digital products that will incorporate risk assessments and accuracy checking earlier in the tax return process. In particular, HMRC was seeking to:

- identify, build and maintain high standards across the tax agent industry
- identify how to segment the tax agent industry by needs and risk
- understand what enhanced services agents would like and who should be given access to which services

17. HMRC was holding a series of workshops to consider some of these issues, including a joint workshop with CRF on 4 July.

18. Agent representatives expressed concern about the slow progress and a lack of clarity about the point of engagement with HMRC on the Agents Strategy. HMRC acknowledged that progress towards an agreed strategy had been slow but said this was now firmly in place. AOSS would come online by 2015. HMRC will clarify how broader issues will be handled. **(AP2)**

Agent protocol

19. After working with agent representatives, HMRC said it was close to signing off an HMRC-wide agent protocol to cover HMRC contact with represented customers and their agents, in particular when HMRC is engaging in one to many activity. HMRC will let CRF agent representatives have a copy of the protocol when it is available. **(AP3)**

CRF sub-group updates

20. Alternative Dispute Resolution (ADR). A summary of the last sub-group meeting had been shared with CRF attendees. There were no issues arising. As agreed under the subject of dispute resolution above, this sub-group will now cease.

21. Business records checks (BRC). A summary of the last sub-group meeting had been shared with CRF attendees. BRC are undergoing a third test and learn phase with the aim of, amongst other things, reducing the burden on compliant customers and developing an agreed quality measure.

22. Campaigns. The latest results from campaign activity up to the year ended 31 March 2014 were shared. HMRC was asked whether the fact that the higher campaign yields were from customers who were not necessarily small businesses was consistent with HMRC's view of small and medium enterprises contributing significantly to the tax gap. There was a discussion about the large amount of yield obtained from offshore campaigns compared to some of the smaller amounts from other campaigns. HMRC felt this may be due to a number of factors including the type and wealth of the customers involved but said it was not possible to draw direct comparisons across the different types of campaign.

23. Fraud. The latest minutes of the sub-group were not yet available. The main concern of the Fraud Forum is the wording of the Contractual Disclosure Facility (CDF) and how HMRC subsequently deals with a customer who does not accept that they have committed fraud but wants to voluntarily put their tax affairs in order. A revised CDF policy is due to be launched at the end of June and HMRC had committed to make it clear to customers who are turned down for CDF or who do not want to admit to fraud but wish to co-operate to put their tax affairs right what they should do next.

24. Record keeping obligations (S12B). This sub-group has not met since it was first convened in February 2013. HMRC expects to reconvene the group before the next CRF meeting and invited agent representatives to review their representation and let HMRC know about any changes.

High volume agent work

25. HMRC confirmed that most of its work with high volume agents related to firms who are not part of any professional body. Following concerns expressed by ICAEW about the memorandum of understanding that high volume agents are asked to sign, HMRC advised that it will review its process for examining the work of any high volume agent who is a member of a professional body. HMRC will work with agent representatives on this.

Extended use of email

26. Subject to closely defined rules and prior consent of customers and, where represented, their agents, HMRC will be increasing its use of email in compliance work.

27. Agent representatives welcomed this news. They asked whether a firm could register all of its clients for communication by email or whether this would have to be done on an individual client basis. HMRC said it would check and report back. **(AP4)**

Effective rate of tax letters

28. HMRC apologised for the lack of advance notice to agent representatives about the issue of these letters. This was a small pilot of 421 letters to represented and unrepresented affluent customers with an annual income of more than £150,000. The letters were intended as a “nudge” to customers to review all their returns. In light of concerns expressed about the letters, HMRC will review the tone and content before going ahead with any further issue, and will notify agent representatives in advance of any plans to relaunch this initiative.

29. Agent representatives suggested a more comprehensive look at what future projects HMRC has on the horizon might help them to think about how best they can support their clients and HMRC. Agent representatives also expressed an interest in having a future agenda item on HMRC’s use of behavioural techniques, including a closer look at any proposals to keep customers informed about how money raised by taxes is spent. **(AP5)**

Minutes and action points

30. The minutes of the previous meeting held on 26 February 2014 had been published and a written update on the action points was provided.

31. AP1 and AP7: Work is underway to review the CRF terms of reference and take forward the findings of the CRF evaluation survey.

32. AP2: The outcome of the IR35 review and membership of the IR35 forum is expected in September 2014.

33. AP3: HMRC will consult with agent representatives about a separate workshop to discuss the tax gap.

34. AP4: HMRC had provided agent representatives with the further information requested.

35. AP5: HMRC is considering options for monitoring the number of Schedule 36 authorisation requests.

36. AP6: HMRC advised that it had appointed a contractor to carry out a research project to help better understand the behaviour of customers with offshore assets. It is currently working with them to finalise the exact design and scope of the project. Organisations selected to take part in the project were likely to be contacted over the course of July and August.

37. AP8: HMRC advised that implementation issues such as duplicate employment records are being dealt with as part of the Real Time Information (RTI) programme. The programme continues to work with stakeholders to prevent and correct any issues arising. HMRC does not expect the creation of duplicate employment records to feature in risk assessment processes or impact our employer compliance processes.

38. AP9: HMRC advised that Edward Troup, as HMRC’s Tax Assurance Commissioner, would shortly be published his second report. This would set out any issues with handling large business tax disputes.

Next meeting

39. 23 October 2014. Agent representatives asked for more information about the creation of an intervention centre, along with other plans for transforming HMRC's compliance approach. **(AP6)**

Action points	What
AP1	HMRC to provide agent representatives with advance notice of the next tax avoidance scheme settlement opportunity.
AP2	HMRC to clarify process for consultation on the agent strategy.
AP3	HMRC to let CRF agent representatives have copy of agent protocol when this has been signed off by the Joint Initiative Steering Group.
AP4	HMRC to advise whether a tax agent can register all of its clients for email communications or if this will have to be done on a client by client basis.
AP5	HMRC to consider providing agent representatives with a more forward look of key "nudge" projects on the horizon to help them think about how best they can support their clients and HMRC. Also, to include as a future agenda item a discussion about HMRC's use of behavioural techniques.
AP6	HMRC to provide more information about their proposed use of an intervention centre.