

Compliance Reform Forum – Minutes of meeting held on 30 March 2016

Agent attendees

Glenn Collins	Association of Chartered and Certified Accountants
Jason Piper	Association of Chartered and Certified Accountants
Brian Palmer	Association of Accounting Technicians
Will Silsby	Association of Taxation Technicians
Margaret Curran	Chartered Institute of Taxation
Andrew McKenna	Chartered Institute of Taxation
Robert Mass	Institute of Chartered Accountants in England & Wales
Susan Cattell	Institute of Chartered Accountants Scotland
Samantha Mann	Chartered Institute of Payroll Professionals
Sue Cave	FSB
Joanne Walker	Low Incomes Tax Reform Group
Robin Williamson	Low Incomes Tax Reform Group
Valerie Boggs	TaxAid
Gary Rowson	Tax Investigation Practitioners Group

HMRC attendees

Jennie Granger (Chair)	Director General, Enforcement & Compliance
Mary Aiston	Director, Wealthy and Mid-sized Business Compliance
Melissa Tatton	Director, Individuals and Small Business Compliance
Damian Lazenby (sec.)	Enforcement and Compliance Strategy Unit
Alison Brown (sec.)	Enforcement and Compliance Strategy Unit
Liz Rowlands (obs.)	Individuals and Small Business Compliance

HMRC Speakers

Nicola Kay	Budget Update
Matthew Vic	Budget Update
Craig Warwick	Budget Update
Mark Frampton	IR35 / Disguised Remuneration
Edward Troup	Address from HMRC's new Executive Chair
Rob Allum	Campaigns Sub-Group Update
Oliver Fisher	Making Tax Digital
Pedro Wrobel	Direct Recovery of Debts
Alison Woodhouse	National Minimum Wage / National Living Wage

Apologies

Chas Roy-Chowdhury	Association of Chartered and Certified Accountants
Andrew Tall	Institute of Chartered Accountants in England & Wales
Jane Moore	Institute of Chartered Accountants in England & Wales
Charlotte Barbour	Institute of Chartered Accountants Scotland
Ian Browne	TaxAid

Topics Covered

Budget 2016
IR35 (Disguised remuneration)
Address from Edward Troup HMRC Executive Chair
Sub-Group Update
Making Tax Digital
Direct Recovery of Debts
National Minimum Wage / National Living Wage
Action Points update
AOB

Welcome and Introductions

1. Jennie Granger (JG) welcomed everyone to the meeting, introduced the HMRC representatives and outlined the agenda.

Budget 2016

2. HMRC provided an outline of key compliance measures in the recent Budget and how they worked together to maintain the fairness of the UK tax system, the key points were:
 - Compliance measures to raise £2.5bn a year by 2020/21
 - Announcement of 2016/17 compliance yield target of £27bn
 - Investment in compliance resources and customer service
 - Publication of the government's Business Tax Road Map for major business taxes out to 2020 and beyond, including the taxation of multinationals
 - Plans to address disguised remuneration and off payroll working in the public sector
 - Package of targeted anti-evasion measures across a range of tax areas e.g. VAT, landfill tax and tobacco smuggling
 - Over the summer there will be a number of consultations on changes in the tax system. Details will be circulated after the meeting and also communicated through the usual channels.
3. HMRC took the following questions from CRF members regarding the Budget measure announcements:
 - Will HMRC keep the strengthened VAT representative rules in reserve or does HMRC plan to use them as a standard approach for all overseas traders? HMRC clarified that it intends to use the new powers, on a high-risk basis in the first instance and then take a considered view on wider application.
 - Will the introduction of the new £1k allowances for trading and property income store up problems for future non-compliance? And would requiring users to notify HMRC that they were making use of these allowances have been a better approach? HMRC responded that compliance issues had been considered in the design of the measure and that there were no significant concerns regarding future compliance. HMRC noted the suggested alternative approach.
 - Members asked about the timing and duration of the planned consultations. HMRC clarified that most would be published before summer recess and be open for comment for the standard 12 week period. Many consultations would therefore not close for comment until autumn. HMRC urged CRF members to engage with the consultations.
 - Members welcomed the additional investment to improve HMRC's customer services, though noted that a lot of contact could be avoided if the guidance on gov.uk was improved. HMRC accepted this point, and explained that further improvements to guidance and our digital offer were planned.
 - What will HMRC's compliance activities look like in the future? Will the department have the capability / capacity to implement the new Budget initiatives in light of the planned reduction in headcount and offices over the next 5 years? HMRC explained that compliance activity will be expanding, rather than shrinking, as a result of investment received through recent fiscal events. Also that the location decisions

were primarily about bringing people together into more effective teams with modern equipment and facilities.

The Chair reflected that the Budget as an event has changed for HMRC, moving away from a traditional resourcing bid and focusing more on powers and legislation to address developments in tax administration e.g. the e-commerce challenge. Where bids for resource did occur they were very clearly tied to expected outcomes.

IR35 / Disguised Remuneration

4. HMRC provided an overview of the changes at Budget that mean that Public Bodies will in future deduct tax at source when utilising contract arrangements that fall within the scope of IR35. The announcement builds on earlier announcements in Budget 15 and consultations to address what has been seen as a difficult area of tax policy.
5. The principle at stake is that colleagues working next to each other doing similar jobs under similar contract terms should be taxed similarly. It is right that this level playing field commences with the public sector and further consultations would occur over the summer on changes to IR35, along with improved guidance and tools for determining its operation.
6. Members queried if the full and simplified guidance for determining employment status in respect of IR35 was fit for purpose given the complexity of the subject? HMRC responded that the online employment status tool for IR35 and guidance is being refreshed over the summer in consultation with interested parties. HMRC is keen to involve tax agents and the contracting community in developing solutions to the issues posed by IR35, and will keep members informed of opportunities to get involved.

Edward Troup – HMRC’s Executive Chair

7. Edward Troup introduced himself to attendees and outlined his new role as HMRC’s Executive Chair; how his role fitted with that of Jon Thompson, and the important challenges and opportunities facing HMRC, noting that this was an exciting time not just in relation to Politics, but also in terms of delivering change and taxation internationally. Edward’s address focused on:
 - The transformation of HMRC and the important role of “digital” both for customers interacting with HMRC, and in HMRC’s compliance response, reducing the burden upon customers and delivering efficiency and value for money to the taxpayer.
 - Designing non-compliance out of tax regimes upstream rather than making expensive interventions after things have gone wrong.
 - The importance of giving staff the digital skills they need and exploiting the ways of working offered by new technology.
 - More sophisticated use of data and analytics to better target our compliance efforts.
 - How the move to 13 regional centres is essential to the transformation of HMRC, not just in terms of estates rationalisation, but benefits in terms of working environment, training and customer service that could be provided as a result.
8. Members sought re-assurances that customers will not be excluded by the increasing move to digital. HMRC assured members that the majority of businesses and individuals in the UK were already digitally enabled, but that those who were not would continue to be supported by the department.

9. Members raised concerns regarding the pace and complexity of change in HMRC and the tax system, the guidance / support available and how this was being communicated to the general public. HMRC acknowledged that the change of pace was challenging as were the expectations set of the department by ministers. HMRC acknowledged that there is always more that could be done with communications but that the department was working hard to get its messages out and invited members and the wider agent community to help in doing so. HMRC is keen to work with agents in shaping changes to how tax is administered, the content of guidance and a range of upcoming change that will be consulted on in coming months, and of course to work together to relay these messages and provide clarification to customers.

Sub Group Update

10. Updates from the sub-groups that had met since the last meeting were circulated in advance of the forum and no queries were raised. Due to the Campaigns sub group meeting immediately prior to the CRF, a verbal update was provided with a written note to follow. The main points from the meeting were:
- Test and Learn activity is being undertaken on employee intermediaries with a view to a future campaign
 - Preparatory work has been undertaken on a possible offshore disclosure facility but no decision as of yet to take this forward.
 - Update on existing campaigns including electronic payments, and let property.
11. HMRC thanked CRF members for the input of the agent community which has helped the department develop campaigns activity.
12. In discussion of the merits of Campaign approaches members observed that it would be helpful to be clearer in future about the difference between evasion and non-compliance as the distinction was not clear in the public mind. The Chair agreed and commented that focus of HMRC activity was on educating people about their liabilities and raising awareness to prevent non-compliance before it happened rather than after
13. Members queried if disclosure facilities would continue to be offered by HMRC? HMRC responded that disclosure facilities remained one of a number of tools available to the Department and would be used selectively where judged appropriate. There will always be a role for people to decide whether they want to come forward.

Making Tax digital (MTD)

14. HMRC provided an update on MTD building on sessions at previous CRF meetings, touching briefly on the scale of the £1.3bn transformation project that will see the introduction of a one stop tax account for both individuals and business and changes in the frequency of data being reported to HMRC. The key points made were:
- Genuine appetite amongst customers to be able to view all their tax affairs in one place and for many to self-serve digitally at times that suit them.
 - Important from an HMRC perspective that the system is sufficiently flexible to cope with changes and developments in the UK tax system.
 - Digital accounts and quarterly reporting will be phased in starting with unincorporated business.
 - Agent access will be delivered through Agents Digital Services portal

- By 2020 MTD and the digital account for business will be fully rolled out, with the ambition to also integrate business rates so that business customers will have a one stop shop for their tax accounts.

15. Members raised a number of detailed questions about the operation of MTD, including quarterly reporting requirements, agent access and security. HMRC responded that whilst the framework of MTD has been set out, the detail has yet to be fully worked up. There would be a number of consultations and events during the remainder of the year where agents and customers could help HMRC with the detailed design. Details will be circulated.

16. It was noted that MTD was a key issue for the group and that there was insufficient time in the main CRF for detailed discussion. It was proposed and agreed that a CRF sub-group will be established to allow detailed engagement on MTD with members. A draft ToR / invitation will be issued after the meeting.

Direct Recovery of Debts (DRD)

17. HMRC thanked the members for their input to date in developing DRD and the guidance and support for vulnerable customers. HMRC has now commenced operating DRD with the issue of the first information letters to deposit holders (banks, building societies) and advising debtors of the action. This has already prompted more compliant behaviour and payment of liabilities. HMRC also reminded members that they had received invitations to form a DRD sub –group (see minutes August 15) but that the response had, to date, been poor. Members were asked to register their interest or it was possible the sub-group may not be taken forward.

18. CRF members asked if there was an intention to analyse the success of DRD and if the results would be published. HMRC confirmed that it would be keeping statistics and analysing these as part of the learning and evaluation process, however it was not clear at this stage if they would be published.

National Minimum Wage (NMW) / National Living Wage (NLW)

19. Following the recent consultation response from the Department of Business Innovation and Skills (BIS) on the governance of labour market enforcement, HMRC's NMW/NLW team presented on the implications for compliance activity; clarifying the respective roles of BIS, HMRC and the other regulatory bodies. HMRC also provided an overview of the introduction of the new National Living Wage:

- The detail behind the BIS announcement of a director of Labour Market Enforcement has not yet been finalised. However it is not envisaged that HMRC's work in enforcing NMW/NLW will change significantly.
- The NLW comes into force on the 1st April at a rate of £7.20 for the over 25s. The level of NLW means it is likely that many businesses that were not impacted by NMW will now need to consider whether their remuneration practices are compliant.. HMRC has been holding a series of webinars to publicise the changes and how businesses can comply. Feedback has been positive
- The Government has also raised the penalties for non-compliance with NLW and it is important that employers realise the seriousness with which it is taken. Since 1999 HMRC has enforced over £65million in underpaid wages for NMW.

20. Members noted that the consultation response from BIS mentioned working groups on the detail of the proposed changes to Labour Market Enforcement and expressed an

interested in getting involved. HMRC will ask BIS colleagues about these and get back to members.

Action Points

21. The Action Point register was circulated prior to the meeting and it was proposed that all the existing APs had been discharged and could be closed. This was accepted with a request to re-visit a previously closed AP 11.14/2 (Schedule 36). HMRC agreed to look into this AP.

AOB

22. The Chair invited Mary Aiston, director of Wealthy and Mid-Sized Business Compliance (WMBC), to outline the work of her directorate:

- Separating out affluent and wealthy individuals from those in PAYE allowed greater customer focus for a group with particular needs e.g. a focus on the wealth life-cycle, and how wealth is created in the UK.

23. CRF members queried how HMRC defined Mid-sized and Wealthy as opposed to SME, Large Business, or non-affluent / wealthy individuals. HMRC agreed to come back with the definitions it is using.

24. CRF members asked if there would be a further opportunity to engage with the Powers Review. HMRC will look into this. Members also asked about the issue of unsolicited returns. HMRC responded that this was already being looked into and an update will be provided when departmental legal advice has clarified the position.

Summing Up

25. Brain Palmer (BP) was invited to sum up the meeting and members' views on HMRC's support of and commitment to the CRF, which was broadly positive. On behalf of members a request was made to undertake the overdue review of the forum. HMRC thanked BP for the summary and committed to conducting the review this year.

Next Meeting

26. The next CRF Meeting will be at 10:30 on Wednesday 13th July 2016 at 100 Parliament Street.

Action Points	Detail
AP 03.16/1	HMRC to circulate electronic copies of presentations with the draft minutes
AP 03.16/2	HMRC to provide details of upcoming consultations resulting from Budget announcements, also IR35 and MTD
AP 03.16/3	HMRC to circulate the note from the RIS Campaigns Sub-Group when available
AP 03.16/4	HMRC to offer to establish a MTD sub-group to the CRF to consider the compliance aspects of MTD
AP 03.16/5	Members to respond to Debt Management regarding the possible DRD sub-group if they are interested
AP 03.16/6	HMRC to enquire after the BIS / GLA working groups for members and the possible impact of powers change on tribunals
AP 03.16/7	HMRC agreed to look again at the closed AP on Schedule 36
AP 03.16/8	HMRC to supply its working definitions around Wealthy and Mid-sized businesses
AP 03.16/9	HMRC to respond to members on unsolicited returns / out of time when the latest legal position is established.