

ADMINISTRATIVE BURDENS ADVISORY BOARD

**Minutes of Advisory Board Meeting
16 July 2015**

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13.00 – 17.00

2/66, 1 Horse Guards Road, London, SW1A 2HQ

Advisory Board attendees: Teresa Graham, Roger Southam, Karen Thomson, Rebecca Benneyworth, Allison Harper, Alastair Keir, Malcolm Bacchus

Apologies: John Whiting, Graham Rogers, Mitesh Soma, Matt Thomas, Paul Aplin

HMRC & HMT attendees:

Theresa Middleton, Tony Kelly, Matthew Henty (HMT) and Neil Philpott (Secretariat)

Apologies: Caroline Smith, Jim Harra

Guests: Oliver Fisher (BC&S), Guy Leeser (PTCPP), Paul Hill (BC&S), Afi Adjei (KAI), Wasim Qureshi (BC&S) Observing: Vina Patel (BC&S)

Welcome/Update

Teresa Graham (TG) welcomed everyone to the meeting - noting apologies from John Whiting, Graham Rogers, Mitesh Soma, Matt Thomas, Paul Aplin, Jim Harra and Caroline Smith. TG highlighted the changes in membership, welcoming new members and thanking previous members for their contributions.

Review of action points/issues log

1. TG reviewed the open action items and agreed to close AP058, AP059, AP060 and AP062. AP064 was discussed and nominations by Alastair Keir, Malcolm Bacchus and TG to form working group on measures work. Agreed that AP064 can therefore also be closed. The remaining action points AP042 and AP061 remain open.

Review and discussion of Budget announcement

Matt Henty (MH) delivered a high level overview of the budget sharing the themes and impacts of this on small businesses. MH highlighted that the Office of Tax Simplification (OTS) has been made permanent and have been asked to review closer alignment of tax and national insurance. This was welcomed by members and in particular the opportunities this will bring. Rebecca Benneyworth (RB) indicated that ICAEW had undertaken a thought leadership piece on tax and NI alignment and will share with wider members. TG explained that the ABAB chair will be a permanent member of the OTS board to bring greater alignment between the two. TG also asked if OTS Terms of Reference can be shared with ABAB. MH agreed this approach.

AP – RB to share link to ICAEW thought leadership piece.

AP – MH to share OTS Terms of Reference with ABAB members.

2. TG asked about the de-regulation agenda and whether tax is included in the 10Billion reduction target. Tony Kelly (TK) explained that we are continuing to engage with the Better Regulation Executive (BRE) on this wider government agenda.
3. Members then discussed certain elements of the budget and identified key areas where small businesses might welcome the proposals e.g. Single Business Registration Process, increase in rent a room welcomed by small B&Bs and also areas that may cause concern e.g. removal of employment allowance and resulting penalties. TG also highlighted slot on Universal Credit (UC) at next meeting to include BRE to enable them to discuss the impacts of UC on self-employed customers.
4. Members highlighted areas that need to be included within forward look and closer engagement required:

AP - A greater understanding of proposals on Farmers averaging

AP – Understanding on developments of the Single Business Registration Process

AP – Engage in the IR35 consultation

AP - Standing agenda item on OTS

Making Tax Easier (MTE) – End of Tax Return

5. Guy Leeser (GL) introduced himself and Oliver Fisher (OF) and thanked members for the opportunity to outline the proposals on Making Tax Easier as announced at March Budget, giving an overview of the announcement and how this will be taken forward.

6. GL explained that the announcement in March Budget set out to abolish the complex, costly and time-consuming annual tax return altogether, by changing how HMRC obtains and uses information about customers the information HMRC needs automatically uploaded into new digital tax accounts. Businesses will feel like they are paying a simple, single business tax – and leading in due course to most customers no longer having to supply information to HMRC because it will be obtained from them directly or via third parties and automatically transferred to their digital account. This was all summarised as the ‘death of the annual tax return’.
7. GL highlighted how this work is being taken forward in HMRC and the challenges this brings. HMRC will develop the ‘to be’ picture for HMRC designed around the customer needs, identify the gaps in current processes and bridge these in optimum sequence to deliver changes and maximise benefits which will include identifying and modify legislation and other critical dependencies. GL explained that central to all this is our plans to consult and work with stakeholders throughout this programme of work.
8. There are challenges in the delivery of this work, of which the most notable are:
 - The need for legislation and the associated lead time
 - Various dependencies including on having accurate information and delivering significant improvements to HMRC’s information matching and analysis capability and HMRC’s Spending Review settlement providing the investment to make it all happen.
 - Developing an offering that means our customers migrate to transacting digitally because we give them an experience that they value and come back to.
9. TG asked what the timescales were to deliver this ambition? GL responded that providing above dependencies are delivered the programme will have been delivered by 2020.
10. OF explained that he is leading on the small business element of MTE. He gave an overview of the ambition and strategic objectives to move to a more personalised service utilising digital tax accounts and richer data. The simplification of HMRC policy, products and processes across the different taxes will help businesses feel as though they are paying a single tax. The integration of tax calculation and payments built within everyday business systems through the use of software/apps, bringing reporting forward and moving payments onto a ‘pay as you go basis’, to promote voluntary compliance. This will give and gain certainty that the right amount of tax has been paid.
11. OF then demonstrated a customer journey for a self-employed plumber providing insight into the current journey and their experience and how the ambition will impact on this journey in the future providing more certainty on their tax affairs.
12. OF shared how the engagement with key stakeholders including businesses, agents and software providers has commenced and will continue over the coming weeks/months. OF sighted ABAB’s positive engagement with the small business strategy work and indicated that he would like to utilise this approach to continue the engagement with ABAB to help shape thoughts and plans. This engagement will start on 9th September and continue through into November with the ultimate aim to publish a roadmap of delivery by the end of the year. ABAB members were supportive of this approach.
13. KT commented that this will require great investment and hoped that the government would give HMRC the money needed to succeed in this ambitious and worthy approach. Members were encouraged by the direction of travel and RB was enthusiastic about this opportunity to transform the services. TG commented on the fantastic smart phone apps that have been presented to ABAB previously but need greater publicity and advertisement. Members also

highlighted various issues that need to be considered including levels of income impacting on cash flow in a pay as you go system, how different sectors' journeys including attitudes and payment cycles need to be understood. RB suggested modelling a journey on a mobile hairdresser to learn how their processes work and how complying with tax obligations impacts them. TG closed the session by indicating that this was really inspirational and looking forward to further developments.

Building our Future – DATA led compliance videos

14. Theresa Middleton (TM) introduced the videos that are being delivered to all staff within HMRC as part of the 'Building our Future' programme. The videos explained the concept of the promote, prevent, respond approach, demonstrated how everyone has a role to play in encouraging compliance and how the greater use and sharing of data will enable majority of customers to get things right first time. RB was encourage by these videos and shared comments received from HMRC staff that this had reminded them of the purpose of HMRC being a tax collecting department.

Whole Customer View (WCV)

15. Wasim Qureshi (WQ) gave a high level overview of the purpose of WCV, which is to create a 'golden record' for each business and will improve their experience in being able to keep their information up-to-date. This will then reduce inconsistent and inaccurate information held by HMRC caused by data being stored across several IT systems. WQ also explained that there will be a facility (currently being developed) for customers to upload documents which contact centre staff will then be able to view. This will streamline customer interaction and improve the service customers receive.
16. TG raised the question on internal view (i.e. staff being able to view what customer can) linked to an open action point (AP42) and would like a roadmap/timeline developed to demonstrate delivery of this. TM explained that this is currently at an early stage of being developed and also suggested sharing the customer support model being developed to a future meeting.

AP – Develop roadmap/timeline for delivery of internal view

AP – Add Customer Support Model to forward look

Streamlined Company Registration Service (SCRS)

17. WQ gave a very high level overview of SCRS and how this new joint approach with Companies House to registering will improve businesses experience and reduce burden in registration. WQ touched upon the different approaches to incorporating and views on when to authenticate the employer.
18. RS was keen to be engage in this work and help understand the journeys and at what stage authentication should be in this journey.

AP – WQ to include and engage with RS on journey development.

Small Business Choice Research findings

19. Afi Adjei (AA) explained the aim and methodology of the research. The research was carried out to explore:

- Small business views on models for offering choice in managing their tax affairs and the potential impact of this on small businesses
 - Small business awareness of specific simplification measures including: cash basis, simplified expenses and three line accounts for self-assessment; and flat rate, cash accounting and annual accounting schemes for VAT
 - How best to present/communicate simplification measures so that small businesses can choose the most appropriate measures, and what support they would need to do so.
20. AA highlighted some of the key findings from the research.
- Choice was highly valued and was equated with maintaining control over business decisions. Small businesses were seen as unique, requiring a more tailored and personalised approach. The general preference, was for a limited number of choices, in order to streamline and simplify the decision-making process and prevent businesses becoming overwhelmed.
 - Information needs to be simple and tailored to enable businesses to make choices. It was recognised that with choice comes the responsibility to make the right decision for the business. Businesses therefore wanted it to be as quick and easy as possible to make decisions around tax choices. The onus was put on HMRC to bring simplicity and certainty to the process by providing clear and personalised information.
 - Businesses were asked their views on how HMRC should offer choice to businesses. Four stances were considered:
 - Option 1: HMRC offers guidance but free choice to businesses
 - Option 2: HMRC provides a 'nudge', by offering their view on the best possible approach for the business
 - Option 3: HMRC opts the business into a particular measure, but provides business with the option to change
 - Option 4: HMRC mandates which measure the business uses
 - A number of factors were found to underpin business' views on the type of 'choice' they preferred. Views were very much linked to the desire of businesses to maintain control, while expressing a need for personalised information to support decision making. The key factors underpinning views were:
 - How confident the business was in making decisions about tax.
 - How much control the business wanted.
 - The extent to which HMRC was trusted to make sound assessments of business' need.
 - The perceived accessibility of information provided by HMRC on choices.
 - The cost and time implications to the business.
21. TG expressed disappointment that ABAB were not more fully engaged in the research project and surprise at the findings in the report. TG was also disappointed that the OTS had not been involved considering their interest in this subject, referring to a response from John Whiting. The response questioned the finding that 'Choice is highly valued by small businesses' suggesting that although choice may be good, it takes time, knowledge and expertise. His view was that small businesses don't have enough of these to make that informed choice and utilising advisors to make choices for them adds cost i.e. choice is only managed with additional costs.

22. TG also cited John Whiting's response that the report aligns with work previously undertaken by the OTS that there are too many people that are not well enough informed and that fundamentally choice adds complexity. The response concluded that 4 options are fine and can each be right at different times for different taxpayers. However more use of option 3 and 4 i.e. HMRC needs to build into planning that choice adds complexity and cost and is not automatically the right answer.
23. Other members were also critical of the findings and felt in particular that the smallest of small businesses are not aware of choices and/or fail to understand the choices available. TG reiterated her dissatisfaction and stated that ABAB do not recognise the findings in the report. TM acknowledged the lack of engagement with ABAB and OTS on this subject.

Forward Look

24. Members reviewed the forward look document and reiterated the items they would like to be added to the agenda.

AOB

25. Terms of Reference (TOR) - TG mentioned the changes to the TOR which now included a confidentially agreement section and asked if members had any comments on the changes. No comments were raised by members and therefore TOR have been signed off and will be published on GOV.UK pages.
26. RTI OOB review – TK indicated that we would like to reinstate the RTI working group and that an initial discussion will be arranged shortly to take this work forward.
27. Tell ABAB - Alison Harper (AH) discussed the latest promotional activity of Tell ABAB to 500,000 employers and how this has generated over 2,000 responses (compared to 77 responses last year) and wider exposure from accountingweb encouraging employers to complete. HMRC will adapt their proposed approach for analysis in order to review the volume of responses.
28. Connecting with Businesses – Neil Philpott (NP) thanked members for their nominations of businesses to visit as part of the pilot phase. NP explained that one visit had already taken place and the lessons learned would be fed into the evaluation report at the end of the pilot. Members were encouraged to continue to nominate further businesses as they will be added to the list for any future rollout programme.

Next meeting

The next meeting will be held on Thursday 15th October, from 13:00 – 17:00 in 2/66, 100 Parliament Street.