

ADMINISTRATIVE BURDENS ADVISORY BOARD

Minutes of Advisory Board Meeting 13 October 2016

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13.00 – 16.10

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

Advisory Board attendees: Teresa Graham, John Whiting, Roger Southam, Paul Aplin
Alastair Keir, Malcolm Bacchus

Apologies: Graham Rogers, Rebecca Benneyworth, Allison Harper, Karen Thomson

HMRC & HMT attendees: Jim Harra, Kerrie Spendiff, Maria Hannan, Matthew Cornford
(HMT) and Asif Bukhsh (Secretariat)

Guests: Theresa Middleton, Clare Sheehan and Ajit Philipose (MTDfB Transformation
Programme), Matthew Vick and Jamie Horton (ISBC), Paul Radford (KAI), Anthony Shirley
(PT CPP)

Observing: Ady Garrett (PT CPP), Sally Munnings (LB)

Welcome and Apologies

Teresa Graham (TG) welcomed everyone to the meeting - noting apologies. TG noted it was the Administrative Burdens Advisory Boards (ABAB) 10th anniversary and thanked members for their work and contribution over the years. TG suggested the occasion be marked by an event in the New Year.

Review of action/issues log

1. TG reviewed the open action items and agreed that all open action points could be closed as they had either been resolved prior to or will be addressed at the meeting with exception of AP085 to be carried forward.
2. Roger Southam (RS) gave an update re car data, advising that the Customer Experience Working Group (CEWG) were reviewing options, and would report back at the next meeting.

AP – CEWG to report back re car data

Tell ABAB update

Maria Hannan (MH) advised the focus of the survey will be on GOV.UK and will go out next week. TG asked how many enquires come through the portal at present.

3. MH advised the next report in summer 2017 would give us data.

Business Representative Group Roadshows

4. TG advised two meetings had been held with IOD, BCC and two more are scheduled this month with FSB and CBI. TG explained the IOD meeting was positive and they were receptive to working with ABAB through its member network. The meeting with BCC was less positive. MH explained the discussions held with BRE were in relation to RPC and the role and level of scrutiny compared to ABABs.
5. TG commented that this was a misunderstanding on BREs part as to the role of ABAB.
6. MH advised that HMRC had agreed with BRE that some joint communications would be developed to use with Ministers and stakeholders to clarify the regulation scrutiny and demonstrate how in effect they were similar and robust. Boundaries for attendance by BRE to any future ABAB meetings have also been agreed.

MTD Programme update/Digital Advisory Group

7. Theresa Middleton (TM) outlined the context for the Making Tax Digital for Business (MTDfB) programme, outlining themes, challenges and transitional costs. She outlined how ABAB could work to provide a link to small businesses for feedback into the process.
8. Clare Sheehan (CS) advised a revised version of the Impact Assessment (IA) is in the pipeline. This would consider emerging themes from the consultations e.g. a review of the £10k threshold. She advised businesses agree with financial incentives but are not sure how this would look in practise. She advised there would be robust testing of software to support businesses in the transition to making tax digital.
9. John Whiting (JW) advised the challenge would be to show how it saves time/money. Some saw it as increasing the burden because they viewed the quarterly returns as four separate deadlines and the stress associated with that might lead to increased use of Agents. TG raised the question of Agent impact and how it would work. Some may run two systems, digital and non/part digital due to confidence in software. Ajit Philipose (AP) advised they would look to see how software can provide better support and will also

consider what services free software may offer to ensure that it covers basic functionality. Malcolm Bacchus (MB) asked if they could share the software specification document.

AP – Digital demo from Software providers to forward look

AP – CEWG will review the wider Tax digital work being delivered

AP – MTDfB team to share software specification document with ABAB

10. TG questioned the 30/60% saving numbers and how the 42 obligations came about. AP explained the cost savings were calculated on a broad set of assumptions. AP advised the obligations were drawn from the Self-Assessment (SA) processes. TG advised HMRC would have to prove the estimates for savings were credible. AP stated they would look to engage with a broad range of businesses and then segment these groups for insight. The Beta testing process would also consider cost impacts and post 2018 the public beta would provide more accurate figures. He advised there will also be a face to face exercise with businesses to understand their concerns on transitioning to making tax digital.
11. AP advised insight on transitional costs had been anecdotal. And with financial assistance there had not been a clear picture of what form this may take. JW advised for financial assistance to work, it would need terms of reference with support. ABAB could feed into this area.
12. Paul Aplin (PA) advised transitional costs were not transitional as these costs would not disappear after digital systems had been implemented by businesses. . He also added that awareness of MTD outside of the agent community was very low. TM advised that they had to time communications with them in order to manage engagement. MB asked how savings would be calculated under MTDfB. AP advised this would be on the basis of averages. TG advised whilst the SCM costing model has its limitations ABAB accept that this is the model being used.
13. RS advised consideration needed to be given to unforeseen effects. PA advised DAG would consider more about MTDfB and cost savings in its customer experience document.
14. TM drew attention to the wider package of digital benefits that HMRC would be introducing. MH commented that a paper on this would be discussed at the ABAB Customer Experience Working Group on 18th October. This discussion could then be fed back in the next ABAB meeting.
15. TG requested the following to be presented to ABAB for discussion at a future meeting: Communication strategy and updated IA. Do they consider burdens, how are changes recorded and what audit process is in place. When and how the Programme should communicate more broadly about MTD.

AP – Communication strategy and updated IA to forward look

AP – DAG update to forward look

OTS update

16. JW gave an update on current Office for Tax Simplification (OTS) projects and publications advising that the Corporation Tax paper will be published on 14th October. He advised about the continuing work on small company taxation and on Income tax/NICs alignment and if a move to a PAYE basis would be a benefit.
17. JW advised of board changes at OTS.

RTI Research

18. Anthony Shirley (AS) outlined the scope and purpose of research, noting Real Time Information (RTI) as the biggest change for businesses in over 70 years. The paper looked to review what the drivers are for errors in reporting Pay As You Earn (PAYE) and how HMRC can better support micro employers to comply. He outlined the key findings as follows:
- Many employers don't understand obligations
 - Paying HMRC was not fully understood
 - Approaches to penalties - looking at education first.
 - Looked at best practices.
 - Errors arising from the payroll process.
19. The research highlighted there was a lack of understanding around penalties and that guidance needed to be better rather than more. AS advised 'The Guide' was a visual produced to support education of the reporting process. TG commented that 'The Guides' use of jargon did not make the process any easier. TG asked if .GOV.UK also provided support. MB commented that a lot of links do not help direct support.

MB advised improvements were needed in free RTI software. AS advised they would encourage best practise.

20. RS asked how experience would improve. AS advised they had looked for behavioural insight from the new employer campaign activity. MB asked if it had considered temporary staff. AS advised businesses had the option of 7 day reporting for these group of employees. This market sector has similar levels of compliance. AS concluded that education was key. MB asked if HMRC will review costs. TG advised that the Post Implementation Review (PIR) will review this.

Hidden Economy consultation documents

21. Matthew Vick (MV) introduced himself as Deputy Director for Individuals and Small Business Compliance (ISBC) and Jamie Horton (JH) as the Policy manager. He outlined the 3 consultation documents and explained they would cover conditionality and sanctions.
22. JH explained Conditionality was at Stage 1 of the policy process and outlined the broad principles around conditionality. He advised compliance could range from soft to hard approaches to businesses. MV stated a comparative model would be the DVLA and how it uses data.
23. TG asked about potential approaches and if they had considered international approaches of other countries to conditionality. MV advised this was not the case at present but would be incorporated as part of wider work in this area.
24. MB asked how it would affect community events/groups, would it be a burden to apply for licenses. MV advised the focus would be to target areas of greatest risk.
25. JW raised the point of data privacy, and the potential risk of pushing people to the Hidden Economy (HE). He gave a constructive example that when registering as a new trader with BEIS, there can be a mutual benefit. MV encouraged using the principle of proportionality and how data/systems could be used to prevent abuse.
26. TG commented that ABAB was supportive of the work and it would ask the HE team to feedback progress at a future meeting.

AP-HE update focussing on conditionality to forward look

Organisational Design update

27. Kerrie Spendiff (KS) gave an overview of the new structure and the leads for each as follows, alongside Transformation which Nick Lodge continues to lead:
- Customer service – Ruth Owen
 - Customer strategy and Tax Design– Jim Harra
 - Customer compliance – Jennie Granger
28. KS then gave an outline and expressed Jon Thompson's view of Policy being more collective. TG asked how much resistance to change there was. KS advised there were three areas to develop; policy, technology and process changes. RS advised that his message from the big 4 accountants was that they don't feel engagement with HMRC in how these changes are impacting their relationship. He stated that work has still to be done on public perception.
29. KS advised she would be happy to follow this up with RS to discuss further.
30. KS explained how technology could be used to bring departments together where the customer takes centre stage. KS advised the new structure would be in place by end of the tax year. MB requested a new organisational chart be shared with ABAB

AP – KS to meet with RS

AP – New organisational chart to be shared with ABAB

AOB

31. JW asked about the £400 million CCR target. MH advised we could review at end of the tax year in the April 2017 meeting.

AP – CCR target to forward look

Next meeting

The next meeting will be held on the 7th February 2017, from 13.00 – 17.00 in 2/66, 100 Parliament Street.