

Compliance Reform Forum – Minutes of meeting held on 6<sup>th</sup> July 2017, 100 Parliament Street, Westminster, SW1A 2BQ

### **External Attendees**

Gary Rowson: Tax Investigation Practitioners Group  
Chas Roy-Chowdhury: Association of Chartered and Certified Accountants  
Susan Cattell: Institute of Chartered Accountants of Scotland  
Andy McKenna: Chartered Institute of Taxation  
Brian Palmer: Association of Accounting Technicians  
Anne Davis: Institute of Financial Accountants.  
Will Silsby: Association of Taxation Technicians  
Meredith McCammond: Low Incomes Tax Reform Group  
Andrew Tall: Institute of Chartered Accountants in England and Wales  
Ian Browne: TaxAid  
Samantha Mann: Chartered Institute of Payroll Professionals  
Sue Cave: Federation of Small Businesses.

### **HMRC Attendees**

David Richardson (Chair): Interim Director General Customer Compliance  
Matthew Vick (Co-Chair): Deputy Director Individual and Small Business Compliance  
Mary Aiston (Co Chair): Director Wealthy and Mid-sized Business Compliance  
Heather Smith – Director Customer Compliance Finance and Planning  
Philippa Madelin – Deputy Director Customer Compliance Strategy  
Alison Brown: Secretariat  
Umair Wazir: Secretariat  
Jo Osborne: Secretariat  
Julie Cory (Observer): secretariat lead for JISG

### **Speakers:**

Lucy Appleton: Fraud Investigation Service: Illegal working and labour market  
Mark Sheridan: Fraud Investigation Service  
Justine Wainwright: Wealthy Mid-sized Business Compliance: employment status and intermediaries  
David Wind: Transformation Making Tax Digital for Business

Steven Taylor: Head of Agent Strategy

### **Apologies:**

Oliver Fisher: Transformation Making Tax Digital for Business

### **Agenda Items**

Policy Update: the single fiscal event

Payroll fraud: highlighting the issue of payroll fraud

National Minimum Wage/National Living Wage: one year on from creation of BEIS  
Labour Market Enforcement: Members agenda item

Making Tax Digital:

HMRC's Agent Strategy: how can we work better with agents and their clients?

### **Welcome and introductions**

1. David Richardson (DR) welcomed everyone to the meeting, outlined the agenda and introduced the HMRC representatives.

### **Policy Update.**

2. Philippa Madelin (PM) gave an overview of the single fiscal event (SFE) focussing on the impact this would have on the budget/consultation cycle.
3. Members raised the issue of timings – specifically planning consultations in busy tax periods of January and February and whether publication delays to the Finance Bill (FB) would impact Making Tax Digital (MTD) timescales.
4. The apparent speed with which new policy appeared to be put in place was discussed in detail. Attendees raised concerns that without a long term approach there may be insufficient time for software developers to develop and deliver new software packages, as well as develop and deliver necessary training to staff.
5. ***AP1 PM agreed to provide members with SFE timelines.***

### **Payroll Fraud.**

6. Lucy Appleton (LA) and Mark Sheridan (MS) from HMRC's Fraud Investigation Service (FIS) gave a presentation on payroll fraud, highlighting the complexities of the fraud using the recent success of Operation Modcons as an example. FIS have seen an increasing prevalence of fraud that exploits businesses use of intermediaries to undertake payroll responsibilities on their behalf acknowledging these were complex frauds which included contrived

networks established to launder money. Prosecution and seizing assets relied on HMRC having the appropriate degree of proof.

7. Members thanked the speakers and HMRC for a very interesting presentation which stimulated discussion on several areas.
8. There was a wide ranging discussion about the perceived time it took HMRC to identify and intervene in such cases with questions on whether HMRC systems could be used to prompt earlier interventions. Discussions also focussed on how HMRC identified money at risk and the avenues explored to recover it.
9. Concern was raised about the impact on innocent employees, as well as innocent employers of such a fraud with questions raised on whether vulnerable persons were un-knowingly used by the fraudsters to sign company documents.
10. FIS stated that HMRC would make good any National Insurance Contributions (NICS) for employees affected. Usually returns are made by the fraudster and so it is relatively easy for HMRC to spot the values involved. If returns aren't available HMRC requires evidence, such as payslips, to be provided.
11. The presenters detailed how HMRC are engaging in a variety of initiatives in an attempt to reduce frauds of this nature. Examples included reaching out to employers by disseminating information through Chambers of Commerce and trade events as well as collaborating with the National Crime Agency (NCA) to develop a hand out on due diligence (provided and distributed to members). Additionally HMRC are engaged in preventing the fraud through design and development of a new online service whereby businesses notify HMRC if they have outsourced payroll.
12. Members asked HMRC to consider whether fit and proper tests could be applied for payroll providers, or an online check list that members could use and suggested using the accountability framework sub group as a useful group to further promote awareness.
13. LA/MS drew members' attention to the recently developed educational leaflets designed to help employers spot and stop the fraud. Attendees were asked to share these with their members.

### **National Minimum Wage (Members presentation)**

14. Samantha Mann (SM), Ian Browne (IB) and Meredith McCammond (MM) thanked the CRF for being given the opportunity to present an agents perspective on the National Minimum Wage (NMW). The presentation highlighted a number of issues, including
  - a. Employment status: the grey area that can exist around the definition of whether someone is self-employed or an employee and how NMW is applied.
  - b. The consistency of guidance, and the ability of workers to make anonymised complaints via GOV.UK.

- c. Naming and shaming of offenders, referencing the different approach taken by BEIS and the Pension Regulator.
  - d. The introduction of the ACAS helpline and the number of cases being referred to HMRC
15. Matthew Vick (MV) and Justine Wainwright (JW) led the response for HMRC. As NMW policy lies with BEIS HMRC were unable to comment on aspects of the discussions. BEIS set the priority areas and a Service Level Agreement (SLA) operates between BEIS and HMRC with HMRC enforcing NMW policy on behalf of BEIS. The SLA includes the issue of naming and shaming of offenders which is run by BEIS.
  16. Regarding the drop of referrals to HMRC from ACAS, MV stated this could be down to a number of factors, including ACAS resolving a lot of cases themselves.
  17. MV mentioned that HMRC's online form had proved popular, demonstrating that the online complaint route is working.
  18. DR thanked the members for their presentation. He noted that there were a number of complex issues that it would be useful to follow up in more detailed discussion with those interested. He also noted that the Matthew Taylor report was due to be published shortly.
  19. ***AP2 DR asked MV to follow up with members with an initial meeting to explore issues in more depth, reporting to the next CRF. This approach was welcomed by members.***

### **Making Tax Digital**

20. Introducing the agenda item on Making Tax Digital (MTD) both David Richardson and David Wind apologised for not being in a position to give further details until the FB had been published.
21. The reason why HMRC could not provide a detailed update on MTD was acknowledged by members although they reiterated their concern over the need for sufficient lead in times for software developers to design and deliver the necessary software packages and training.
22. DW confirmed HMRC's commitment to digitisation remains with the ambition to increase the services available on Personal Tax Account (PTA). The controlled agent subscription go live is continuing albeit on a smaller scale than was anticipated, and it is being tested with other customer groups. The first quarterly update has been received and customers were continuing to be included, on an invitation only basis: working with software providers as they invite their clients.
23. Members discussed the services currently available to their members, including the potential impact of MTD on small business and any potential increase in fees and expressing that PTA was not currently suitable for small business.
24. DR explained that over 10m people were using their PTA .Mary Aiston acknowledged the connectivity between the PTA and the Business Tax Account (BTA) was being worked on, although no timelines could be given at this stage.

25. DR introduced Steven Taylor and the Agent Strategy presentation which focussed on the opportunities created by MTD and how HMRC can work better with agents.

26. Steven Taylor (ST) set out how HMRC had engaged closely with the agent community in developing the propositions that came out of a joint event between HMRC and agents in April emphasising that a good relationship between agents and HMRC is essential to the success of the strategy.

1. Develop our digital services for agents
2. Support agents to help their clients get tax right
3. Develop a progressive relationship
4. Raising the standards
5. Letting the information flow.

28. There was recognition and welcome by attendees of the need for agents to work closely with HMRC but noted that the phrase 'co-design' had been used by HMRC, stating that active feedback was a more accurate phrase. Both DR and ST recognised the sensitivity of the use of the phrase and ST encouraged any feedback from members, specifically in relation to what members' views on priority areas and 'pain points' were.

29. Will Silsby (WS) questioned the significance of ST presenting 5 propositions as 6 had been presented to the Joint Initiative Steering Group (JISG). In response ST said this proposition was more internal to HMRC and at an early stage of development.

30. DR thanked the members for their comments on both MTD and the Agent Strategy recognising that HMRC needed to work collaboratively with agents going forward.

## **AOB**

32. The recent Supreme Court decision in relation to the use of employment benefit trusts by Murray Group Holdings Ltd was discussed. DR said that HMRC would be actively encouraging people to settle who have used EBT's, and he said they will be considering cases in which it is appropriate to issue follower notices.

33. Members asked whether they could circulate HMRC's location details to members. Andrew Tall (AT) commented that a post box would still be required for paper filing and whether this would be available in the regional offices for existing paper filing.

34. ***AP 3 Due to the meeting running slightly over time HMRC gave an undertaking to circulate by correspondence the response to members' requests on HMRC's discretionary application of penalties.***

## **Summing Up**

35. Andy Tall (AT) was invited to give a summary of the meeting on behalf of the members. In his summary AT set out what he saw as the key issues arising from discussion, including:

- a. The importance of the consultation period, and the issue of impact this process could have especially at busy times for members.

- b. The complexities of payroll fraud and the challenge HMRC faces to intervene as early as possible to limit tax losses.
  - c. Where possible handouts should be sent to members in advance of the meeting.
  - d. The need for HMRC and agents to better coordinate their activities in the Agent Strategy space and for HMRC to increase the pace of progress.
36. AT also thanked HMRC for giving members the opportunity to present on NMW acknowledging the need for the working group to progress the issues raised.
37. DR thanked the members for their time and AT for his summary.

**Next Meeting**

38. The next meeting will be on the 11<sup>th</sup> October at 100 Parliament Street.