



ADMINISTRATIVE BURDENS ADVISORY BOARD

02 November 2007

**Minutes of the meeting on 02 November 2007**

**Draft minutes of the meeting on 2 November 2007**

**15.00-17.00 Room G.57 - 100 Parliament Street**

**Advisory Board Attendees:** Teresa Graham (TG), Karen Thomson (KT), Simon Sweetman (SSw), Dr Martin Jones (MJ), Steve Sharratt (SSh), Ian Dewar (ID), John Whiting (JW), Anita Monteith (AM) (for Francesca Lagerberg)

**Apologies:** Roger Southam, John Endacott, Francesca Lagerberg, Julie Kenny, Andrew Hubbard

**HMRC Attendees:** Stephen Banyard (SBan), Judith Knott (JK), Sally Beggs (SBe), Simon Woodside (SW), Peter Robson (PR), Ian Valentine(IV), Geoff Lloyd (GL)

**Apologies:** Mike Shipp, Roy Massingale

**HMT Attendees:** Edward Troup (ET), Katherine Green (KG), John MCloughlin (JM), Hugh Hedges (HH)

**Secretariat:** Jon Sherman (JS), Martin Stevens

**Item 1 - Welcome & Introductions**

TG welcomed everyone to the meeting, extending a particular welcome to John Whiting, who had newly joined the Board. The minutes of the meeting on 24 September 2007 were agreed. The action points had been discharged, were in hand or were on the current agenda. KT reported that, following the PBR announcement, IPP would wait until publication of the HMRC condoc on payrolling benefits in kind before starting their research on the subject. She would report back to ABAB on the survey, once the research had been done and the results collated.

**Item 2 - PBR and tax simplification**

KG introduced the package of PBR measures and announcements. These reflected the emphasis the Chancellor had put on simplification as an important priority for tax policy. The measures included issues that had been championed by the Board.

Board members welcomed the PBR package. The announcement on payrolling benefits in kind and the other proposals designed to benefit employers were particularly welcomed.

Some members expressed disquiet at the way that the PBR CGT changes had been badged as simplification measures. They saw the changes as damaging for business and for the credibility of the simplification and admin burdens agenda. SSh commented that this was not simplification from a business perspective. ET said that the changes did simplify the tax; but that this was a wider policy change and more than a simplification.

Summing up, TG welcomed the impetus the PBR had given to the admin burdens agenda. She emphasised that the Board's focus was on administrative burdens rather than tax policy. But the current emphasis on simplification would be likely to mean that the boundary between the two would sometimes become blurred.

KG summarised the latest position on the three simplification reviews and invited Board members' views on what they saw as priorities within the three review areas.

### **Review 1 - VAT rules and administration**

JM outlined the priorities within this review. JW felt that the priority areas within the review were generally of most concern to larger businesses. Small businesses were more concerned with boundary issues eg - whether food/catering is zero-rated or standard-rated for VAT, liability of new products, services etc. MJ and SSh felt that the requirements associated with importing and exporting should be looked at. AD noted that, with voluntary disclosures, 'coming clean' on a VAT error was much easier than with other taxes. KT saw potential for very simple businesses to benefit from less frequent VAT returns but acknowledged that quarterly returns imposed a useful discipline for many. GL highlighted that areas of potential study already identified included:

- whether EU legislation has been 'gold plated
- what requirements have been added to the 1973 legislation baseline and challenge why
- fresh look at the need for the current range of anti-avoidance legislation
- is HMRC taking a strategic view of priorities and objectives in taking cases to litigation
- is there a common and consistent approach to risk
- areas where clearer guidance or help for customers was needed

### **Review 2 - Corporation tax rules for related companies**

HH outlined the objectives of this review noting that the current rules had been introduced for good reason but that it was time to take a fresh look at the various rules and regulations. Board members identified related company transaction rules as a priority, particularly transfer pricing. MJ noted that current rules can lead to a situation where transactions within a group of companies can be more complicated than transactions between different corporations.

On the associated company rules, SSh and TG noted that for most small businesses the cost of fragmentation outweighed any financial benefit and de minimis limits might be appropriate to keep such businesses outside of the scope of such legislation.

### **Review 3 - How anti-avoidance legislation can best meet the aims of simplicity and revenue protection**

JK outlined the objectives of the review. Anti-avoidance measures had naturally grown up piecemeal and now it is a good time to take a fresh look at them in the round and see what can be simplified. Board members raised a number of issues:

- There was still a degree of confusion for smaller businesses around IR35 and a question mark over whether this legislation had achieved what was intended. The planned legislation on income shifting was likely to increase the difficulty.
- Any legislation needed to be properly proportionate to the risk at which it was targeted – what is the legislation designed to protect and is it capturing the right people in the right way?

- The links with the new clearances procedures needed to be taken into account.

SBan noted that avoidance was always going to be difficult to stop. HMRC, tax professionals and businesses all needed to play their part. How could HMRC work with professionals to tackle the marketing and supply of schemes as well as tackling the demand from those who used the schemes?

TG asked ABAB members to champion the reviews within their networks and to feed any comments or suggestions into the review teams.

### **Item 3 - HMRC/CIOT Latimer House Conference**

JK noted that many of the suggestions raised at Latimer House had been reflected in PBR – it showed we had been thinking along similar lines. Board members raised the following issues as areas for further improvement:

Large Business Service (LBS) customers had CRMs – these worked well and it would be good to extend the benefits of CRMs to smaller businesses; and contact points must be got right – call centres, post handling, routine processing etc.

SBan recognised the concerns that had been expressed about the standard of service being provided to businesses and agents – these issues had come out clearly from the Latimer conference and HMRC was working hard to address them.

AM mentioned an issue that had come up in discussion at the conference – that HMRC did not sign to confirm receipt of recorded delivery items. Board members expressed surprise at this.

Summing up, TG suggested that the irritants list should be updated to reflect the feedback from the Latimer conference prior to discussion at a future ABAB meeting. The Secretariat would look into the point about recorded delivery items and report back.

**Action Point 1** - ABAB Secretariat to update the irritants list and bring back to a future Meeting.

**Action Point 2** - ABAB Secretariat to look into the recorded delivery issue and report back.

### **Item 4 - Audits and inspections**

JS introduced the paper emphasising that HMRC were aiming to develop additional measures that would have an impact on the customer experience to supplement the headline target on audits and inspections.

PR explained the proposed measure for Local Compliance audit and inspection work. Board members emphasised the importance of the 'fear factor' associated with an enquiry. PR noted that there was a small scale pilot underway to see if the enquiry process could be made more transparent. He noted that HMRC is working hard to improve risk profiling so that the focus is increasingly on the non-compliant. ABAB members stressed the importance of appropriate wording in enquiry letters so that customers were not concerned unnecessarily. SSw noted how well the Compliance Reform Forum worked, and that there are some good initiatives heralded in the Powers Review. AM said that the review that HMRC had conducted on medium-

sized business had reached some useful conclusions and these should be taken into account in developing this work.

IV summarised the work ongoing in LBS to improve relationships with customers and explained the proposed measures for LBS. They are putting a lot of emphasis on better targeting the non-compliant and at the same time improving the service offered to those who wish to comply, eg - making a success of the new clearance procedures.

TG summed up asking for the Board to be updated when the new measures were further developed or finalised.

**Action Point 3** - ABAB Secretariat to update the Board when the new measures are developed/finalised.

**Item 6 - AOB**

TG thanked all present for their attendance and contributions. The date for the next meeting would be confirmed shortly - subsequently set for 3pm on 16 January 2008 at 1 Horse Guards Road.