

ADMINISTRATIVE BURDENS ADVISORY BOARD

**Advisory Board Meeting
21 October 2010**

Final minutes of meeting on 21 October 2010

Minutes of the meeting on 21 October 2010

13.00 – 16.00pm Left Auditorium, 1 Horse Guards

Advisory Board Attendees: Teresa Graham (TG), Steve Sharrat (SSh), Martin Jones (MJ), Julie Kenny (JK), Roger Southam (RS), Simon Sweetman (SS), John Whiting (JW), Malcolm Bacchus (MB)

Apologies: Karen Thomson, Paul Aplin, Russel Griggs, Andrew Hubbard, Francesca Lagerberg

Minister: David Gauke (MP), Exchequer Secretary to the Treasury (XST)

Office of Tax Simplification: Jeremy Sherwood

BIS: Mike Rabjohns

HMRC/Treasury Attendees: Stephen Banyard (SB), Carolyn Parmeter (CP), Tony Kelly (TK), Simon Pemble (SP), Cerys Morgan (CM), Cheryl Scott (CS), Clare Sheehan (CSH)

Apologies: Melanie Dawes, Denise Togher

Secretariat: Paul Oakes (PO)

Item 1: Welcome & Introductions

1. Teresa Graham (TG) welcomed everyone to the meeting especially the Exchequer Secretary to the Treasury, David Gauke (MP).

Item 2: Remarks by David Gauke (XST)

2. XST updated ABAB on the CSR settlement that would achieve a 15% reduction in HMRC costs over the next four years. This will be achieved through real savings on overhead such as the large HMRC estate, and by utilising new technology to reduce processing roles. It is anticipated that HMRC headcount will be reduced by approximately 10,000 over the period. However, XST emphasised that support to vulnerable groups would continue.
3. A key part of the CSR settlement is an additional £900m funding to tackle evasion, criminal behaviours and avoidance, while extending the Large Business Service model to large and complex businesses. The aim of this funding to produce an additional £7 billion in revenue by 2014/15. XST welcomed ABAB's views on these changes so that HMRC could benefit from ABAB's experience.
4. XST acknowledged that the additional £900m funding is a vote of confidence in HMRC, and although there are challenges ahead HMRC is hugely important in helping Government achieve its objectives.
5. Julie Kenny (JK) believes that HMRC is one of the best Government Departments and that HMRC has really made a difference, citing how valuable

the time-to-pay initiative had proved to her business in these tough financial times; and the success of the R&D credits.

6. Simon Sweetman (SS) warned that further staff cuts is a concern given the current delays in responding to post and the difficulties unrepresented taxpayers have in getting through to contact centres. XST confirmed that HMRC was tackling this and better designed forms would help alleviate the problem.
7. John Whiting (JW) wanted to see more self help and self service made available for advisers and was concerned that the cuts might restrict this opportunity as improvements would likely require investment. XST was very supportive of this approach and confirmed there is a real willingness to work with advisers.
8. Martin Jones (MJ) explained that the tax system needed to reflect modern 'portfolio' lives as the age of continuous employment with one company has passed; and that it must be easy for small businesses to employ people. Steve Sharratt (SSh) suggested a flat rate of PAYE for the first five years when a new business sets up. XST agreed and HMRC is exploring longer term PAYE changes including Real Time Information and would consider all ideas to make it easier for start up businesses.
9. Roger Southam (RS) expressed concerns that complexity meant businesses incurred additional costs in engaging an adviser. This should be a business choice rather than a straightforward burden. Malcolm Bacchus (MB) encouraged investment for simplification to remove complexity for small business. XST confirmed there will be significant simplification and creation of the Office of Tax Simplification provides a clear indication of this.
10. TG brought the discussion to a close, recognising that HMRC had come a long way but there was still much to be done; and offering ABAB as a critical friend.

Item 3: Office of Tax Simplification (OTS)

11. JW introduced Jeremy Sherwood as the Head of the OTS. JW explained that the OTS was set up after the emergency Budget in June and has an independent brief to recommend simplifications to the tax system, and additionally sees administrative savings within their brief. The initial projects would examine small business taxation and tax reliefs. OTS has already started talking to business and there will be a series of road shows in November. They have begun tabulating all reliefs; already identifying well over 800. Findings of the OTS reviews will influence changes for Budget 2011.
12. JW asked the Board for areas to inform future projects. TG indicated there is a lot of support for the removal of certain tax reliefs. MB proposed looking at VAT issues including exemptions and zero-rated goods; and a rationalisation of NICs. SSh asked for transparency regards the incidental costs of raising capital. RS requested that there were fewer papers from HMRC when a new Right to Manage (RTM) company was set up.

AP1: Add to January agenda ideas for OTS and update from John Whiting

Item 4: Future role of ABAB 2011 & New measures to manage customer costs

13. ABAB's role is currently clear but TG asked Stephen Banyard (SB) how the Boards role will develop in the future.
14. SB confirmed that ABAB has supported HMRC very well, has been instrumental in making change happen, and there was no intention of losing such a valuable and informative body. SB explained that the SME picture has been difficult to fully understand and the contribution from ABAB has helped HMRC customer understanding (both segmentation and behaviours) resulting in the Customer Strategies on which the SR allocation is based.
15. SB wants ABAB to keep HMRC's feet to the fire on customer costs. So although a replacement for the Admin Burdens reduction targets has yet to be agreed he wants to focus the ABAB role on these measures, allowing free reign to tackle wider issues as appropriate.
16. Tony Kelly (TK) advised that HMRC are on track to meet the existing targets that end in April 2011: exceeding the overall 10 per cent reduction in admin burdens. TG and JW both requested that the details are published nearer the time.
17. TK confirmed that tax is outside the cross-Whitehall process to manage regulation (one in, one out) and that work on a replacement for the admin burden target are progressing now that the Spending Review has been finalised. TK believed that the measures will become clearer in the coming weeks.
18. TG asked when the figures are likely to be finalised and whether XST would be signing-them off. TK confirmed that the picture will be clearer by January 2011. MJ noted that costs to business normally represent costs for HMRC so it was an ideal time to focus on cost reductions through simplification.

AP2: Add to January agenda 'Customer Costs Update'

Item 5: New approach to making Tax Policy - Update

19. Cerys Morgan (CM) explained that business demand greater stability and predictability in tax policy development, and updated the Board on the consultation that took place over the summer and how HMRC/HMT is considering the responses. She confirmed that there would only be one fiscal event each year providing less opportunity for change, with a drive towards fewer but 'better' changes to the tax code. Importantly the process will provide opportunity for scrutiny and the development of measures, understanding of why the measure is coming in and the impacts of it, predictability on when changes will apply, and everything will be brought together in one place.
20. Cheryl Scott (CS) said that in future there should only be announcements at Budget making things far more transparent. JK complimented the drive towards transparency and suggested further engagement with agents to close loop holes.

Item 6: Reducing Regulation Update (One In, One Out, Reducing Regulation Committee etc.)

21. Mike Rabjohns (MR) provided an update on the current work across Whitehall on reducing regulation. There is an absolute firm commitment to de-regulate and cut costs to business through the one in, one out approach (including both primary and secondary legislation). This will be managed by the Reducing Regulation Committee (RRC); a cabinet committee which will challenge regulatory programmes across all Government Departments.
22. TG questioned whether one in, one out could be replaced by simply setting one large target. RS wanted to establish whether HMRC was looking at just 'things out'. JK asked whether HMRC would voluntarily commit to one in, one out.

Item 7: Supporting SMEs who need help – Segmentation and education

26. Clare Sheehan (CS) updated board members on the latest work on segmentation and education. The next stage of the work will be a pilot on outbound email.
27. TG advised that it was important to get in early with new businesses, and get it right, and simply sending a letter by e-mail will not necessarily yield benefits. TG praised the recent 'letter writing' project and thought it had been a step in the right direction.
28. The pilot was welcomed and JK suggested that emails must be easy to understand with an invitation for business to provide feedback. RS asked that the emails say exactly what action is required.

AOB

29. Look at updating stakeholders at the January 2011 meeting.

Next meeting:

Thursday 27 January 2011 (13:00 – 16:00pm) at 100 Parliament Street