



ADMINISTRATIVE BURDENS ADVISORY BOARD

24 September 2007

**Minutes of meeting on 24 September 2007**

**Draft minutes of the meeting on 24 September 2007**

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

**Advisory Board Attendees:** Teresa Graham (TG), Andrew Hubbard (AH), Roger Southam (RS), Karen Thomson (KT), Simon Sweetman (SSw), Dr Martin Jones (MJ), Steve Sharratt (SSh), Ian Dewar (ID)

**Apologies:** John Endacott, Narinder Gill, Francesca Lagerberg, Julie Kenny

**HMRC Attendees:** Dave Hartnett (DH), Stephen Banyard (SBan), Judith Knott (JK), Roy Massingale (RM), Sally Beggs (SBe), Bob Wightman (BW), Simon Woodside (SW), Wendy Bradley (WB), Denise Togher (DT), Mike Purvis (MP), Marc Casale (MC)

**Apologies:** Geoff Lloyd, Mike Shipp, Pete Robson, Sue Walton, Simon York, Ian Hardie, John Hinton

**HMT Attendees:** Katherine Green (KG), Daniel York-Smith (DYS)

**Apologies:** Edward Troup, Simon Bor

**Dept. of Business, Enterprise, and Regulatory Reform (BERR) Attendee:**  
Alastair Cowie (AC)

**Secretariat:** Jon Sherman (JS), Phillip Dunkley

**Welcome & Introductions**

TG welcomed everyone to the meeting, extending a particular welcome to Jon Sherman who had taken over from Jane Andrews as head of the ABAB secretariat. The minutes of the meeting on 5 July were agreed. The action points had been discharged, were in hand or were on the current agenda.

**Item 1: Capital Allowances Reform Consultation**

TG introduced BW (head of the HMRC team leading on capital allowances reform) and DYS from the Treasury corporate tax team.

Discussion focused on the implementation of the Annual Investment Allowance (AIA). BW and DYS emphasised that in developing the AIA they were looking to strike the appropriate balance between simplification and the need to ensure that there was adequate protection for the exchequer and that the AIA was appropriately targeted. The key issue was how to achieve the policy aim (a £50,000 allowance for each business) while ensuring that businesses could not fragment artificially in order to maximise the allowances available.

In discussion, ABAB members emphasised the need to ensure that if any anti-fragmentation rules were needed, they should be justified by a proper analysis of the risks and they should be proportionate to those risks. Otherwise there was a risk of adding to admin burdens and creating new irritants. There was a consensus among board members that the level of risk ought not to be that great. SSw emphasised that the AIA would be good for most small businesses investing small amounts. But it was important not to create another different set of rules to deal with fragmentation.

We already had the associated company rules and the problems associated with them. SSh and MJ emphasised the cost of artificially fragmenting a business and felt that there would be little enthusiasm among small businesses to do this. And if some businesses that were investing managed to access more than one AIA, was that something worth worrying about?

BW recognised the points that had been made about the need for any anti-abuse measures to be proportionate to the risks. His view was that the risks were moderate and manageable and he was optimistic that the legislation would adopt a light touch approach.

SSw added that certain businesses e.g. small hotels had been hit hard by the abolition of Industrial Buildings Allowance (IBAs) and Agricultural Buildings Allowance (ABAs). BW explained that HMRC was aware of this and wanted to gain a better understanding of the impact.

TG summed up the discussion. She said that the removal of IBAs and ABAs addressed a priority irritant for a great many businesses. She emphasised that true simplification does mean losers and that this point had been recognised in discussions with the Institute of Directors (IOD). She hoped that ABAB's views on the AIA would be taken on board and that the outcome would be a genuinely simple system. The Government should err on the side of keeping it simple – in the knowledge that if they started to see abuses, they could then tighten the system up (rather than building in complex anti-abuse rules that might well not be needed). TG asked BW to come back to a future ABAB and test their emerging findings with the board.

**AP1: Secretariat to invite BW to attend future meeting of the Advisory Board for a further discussion on how the reform was developing.**

## **Item 2: IPP's Planned Research Into Benefits in Kind**

KT introduced a discussion on the survey that the Institute of Payroll Professionals (IPP) was planning to conduct with its members and those of other representative bodies about pay rolling benefits in kind. Their intention was to send out the questionnaire by the end of October and they expected to have some emerging findings by January 2008. RM said that HMRC would be very keen to see the results of the survey and to engage positively with the IPP on this work. He also thought it would be useful to test the views of employees on this.

KT said that research conducted so far in this area had indicated that there was a lot of support for pay rolling benefits in kind – in addition a small survey had shown that 94% of employees would prefer to have benefits dealt with through their wages. This new research would provide firmer evidence on the views of employees.

MJ suggested that some of the questions looked a little complex – for example on question 6, it would be difficult to answer without recourse to an agent. It might be better to ask a direct question on whether it would be good if there were no more P11Ds.

In discussion, Board members made the point that pay rolling was happening in some cases. But HMRC was taking an inconsistent approach; whether particular arrangements were considered acceptable could depend on the particular HMRC office a business was dealing with.

TG concluded by welcoming this research. The results would be awaited with keen interest. ABAB would want to discuss this further once the emerging findings were available.

**AP2: Secretariat to distribute electronic copies of the survey to ABAB members.**

**AP3: Karen Thomson to report back on emerging findings of survey.**

**Item 3: National Audit Office Report**

WB introduced the discussion on the NAO report on 'Reducing the cost of complying with regulations: the delivery of the Admin Burden Reduction Programme 2007'. The NAO worked with HMRC as with other key departments to examine the work that was being done in this area.

ABAB members highlighted one of the key issues raised in the NAO report: will businesses notice the difference?

SBan recognised that this was an important issue. He explained that HMRC was using the 'SIMPLE' tool to help incorporate the customer perspective in what we do and were planning to use a customer perception survey to support the admin burden work on audits and inspections.

SSw commented that it was natural that small businesses would see regulation as increasing. This wouldn't necessarily be objective but would reflect their experience running a business. Also individual bad experiences would sometimes have a disproportionate effect on the general perception.

SBan stated that HMRC research suggested that large businesses had noticed an improvement in service delivery following the introduction of customer relationship managers.

MJ commented that ABABs role had been important. The key point was that they had evolved and improved on their original brief – they had moved from focusing on the standard cost model on to the irritants. They had broken new ground by focusing on the things that business really perceived as burdens. This was reflected to some extent in the NAO report.

SBan commented that people in HMRC tended not to appreciate how it was perceived by small businesses. And a key question was how the department communicated the steps it was taking to improve its relationship with business; for example, the steps HMRC took to help business during the recent flooding went unnoticed by many of the target audience.

RS emphasised the importance of good communications. A lot of good work could be undermined by coverage of one poorly handled case. HMRC had to compete against the considerable volume of material put out by the accountancy firms. RS suggested that HMRC should speak to Companies House as they were a body who had got their communications right. SShar highlighted the potential of electronic newsletters to improve perceptions and confidence whilst providing useful help, suggestions and answers to FAQs. ID recognised that we were talking about cultural change which was a long-term process. It was important for HMRC not to over egg the claims it made about its successes; otherwise they would encourage a cynical view of the work that was being done.

TG summed up, thanking WB for her contribution and emphasising that the debate had touched on some important themes that ABAB would want to return to.

**Item 4: Better Regulation Executive's (BRE) role in benchmarking admin burden reduction work**

AC explained the BREs role and the work it was doing with Government departments to monitor their delivery on Better Regulation and reducing admin burdens, and how they were proposing to share best practice with HMRC colleagues. In the discussion that followed, ABAB members emphasised the importance of looking at achievement and not just activity. Only businesses can judge whether things have improved. So it was important to do surveys to gauge their perception (although in the HMRC case, there was always the risk that the department's necessary enforcement role would lead to some negative perceptions).

TG thanked AC and summed up the discussion emphasising ABABs willingness to contribute as a stakeholder to BREs work.

**6. AOB**

SSw updated the Board on developments on income splitting. He was concerned that any legislation might create a significant new admin burden. RS suggested that Treasury and HMRC should step back and keep things in perspective. AH emphasised the potential tension between fairness and simplicity; and an absolute level of fairness may not be achievable, given the need to ensure that any solution was workable for small businesses.

TG concluded the meeting by thanking everyone for attending.

**Next Meeting: Set for November 2nd at 100 Parliament Street.**

Phillip Dunkley