

ADMINISTRATIVE BURDENS ADVISORY BOARD

**Advisory Board Meeting
7 June 2010**

Final minutes of meeting on 7 June 2010

Minutes of the meeting on 7 June 2010

14.00 – 17.00 G21, BIS Conference Centre

Advisory Board Attendees: Teresa Graham (TG), Russel Griggs (RG), Andrew Hubbard (AH), Martin Jones (MJ), Julie Kenny (JK), Francesca Lagerberg (FL), Roger Southam (RS), Simon Sweetman (SS), Paul Aplin (PA), Malcolm Bacchus (MB)

Apologies: Karen Thomson, John Whiting, Steve Sharrat

BIS: David Tyrrell (DT)

HMRC/Treasury Attendees: Stephen Banyard (SB), Carolyn Parmeter (CP), Tony Kelly (TK), Denise Togher (DT), Simon Pemble (SP), Matt Blake (MJB), Libby Martin (LM), Sara Woollard (SW)

Apologies: Melanie Dawes, Katherine Green

Secretariat: Paul Oakes (PO)

Item 1: Welcome & Introductions

1. Teresa Graham (TG) welcomed everyone to the second Board meeting of 2010.

Item 2: Tax Framework for Business /Post-election forward look

2. Simon Pemble (SP) spoke about the coalition government's commitment to make tax simplification a priority along with the creation of the 'Office of Tax Simplification'. Simon explained that further details would be announced at Budget.
3. TG asked how simplification would be defined and whether any new targets would be wider than just administrative burdens. SP said that nothing had yet been decided but he would advise ministers of ABAB suggestions.

AP1. TG to write to the new Exchequer Secretary and invite him to a future ABAB meeting

4. Andrew Hubbard (AH) was encouraged by the tax simplification proposals and highlighted the need to address tax policy not just rewrite tax law: he believed this would be a long process. Simon Sweetman (SS) supported this view and added that any reform to the CT system needed to fully consider small business: for example removal of Annual Investment Allowance (AIA) would be bad for small businesses, and changes to Capital Allowances would disadvantage unincorporated businesses.
5. Martin Jones (MJ) considered that dealing with tax is easier and cheaper for business when HMRC provide certainty. Malcolm Bacchus (MB) reiterated the need for certainty and from his perspective the key priorities are HMRC responding to phone calls more quickly; a review of IR35 as many people are uncertain whether it affects them; addressing the complexity of the tax system

- which leads to much uncertainty; and tackling the complexity of accounting practices.
6. Paul Aplin (PA) commented that no-one benefits from a complex tax system but real benefits from simplification would need to be viewed as a long-term ambition. Paul added that knee-jerk reactions in the past have led to layers of complexity and poor legislation. In essence people want certainty and predictability.
 7. Russel Griggs (RG) mentioned the 'one-in-one-out' proposal to cut red tape and suggested that it would work well providing we understood the size of regulations being withdrawn/introduced, and the need to effectively manage new sunset clauses.
 8. Julie Kenny (JK) hoped the close relationship ABAB has with HMRC would continue with the recent change of Government. JK would also like to see improvements to the consultation process particularly through involvement of specialist groups.
 9. SP emphasised how keen the new Government are to simplify the tax system including a review of IR35 and confirmed that details of the Small Business Tax Review would be announced soon. Carolyn Parmeter (CP) mentioned the Government's commitment for a five year roadmap for Corporation Tax.
 10. TG brought the debate to a close by hypothesising on the role of ABAB under the new Government, and suggested it will be more active and broader. On this point RG suggested that a role for ABAB would be to ensure that admin burdens are removed and not simply shifted elsewhere.

Item 3: Micros exempt from 4th Directive

11. David Tyrrell (DT) updated the board on the latest position on micro companies and the 4th Directive. He confirmed that the UK supports the removal of micro companies (10 employees or less, or a turnover below 1 million Euros, or balance sheet of less than half a million Euros) from the 4th Directive, and the EU Parliament also supported this by a clear majority in a recent vote. However, there remains an impasse at EU Council with some members supporting the change while others oppose it. The European Commission is separately proposing changes to the 4th Directive – introducing IFRS for SMEs which worsen the position for micros. UK will be doing everything it can to influence the best outcome in this area.
12. Matt Blake (MJB) said that HMRC are looking to see what can be done for accounting and tax for micros. But there could not be a fundamental change until the Council agrees on a way forward.
13. RS questioned why UK cannot progress independently without waiting for EU agreement. DT responded that we could possibly make changes to UK GAAP, but this would not remove all burdens. MJB suggested that a change to UK GAAP without the EU taking micros out of the 4th Directive would only be of marginal benefit as the requirement for a 'true and fair view' would leave much of the requirements as now.

14. RG expressed his desire for the micro exemption to be included in the Small Business Tax Review. TG agreed to keep this on ABAB's agenda.

AP2. Invite David Tyrrall to ABAB in early 2012

Item 4: Enquiry Centres

15. Libby Martin (LM) provided an overview of the work undertaken in enquiry centres and outlined the current review to redesign this service. LM emphasised that HMRC is looking to ensure the balance is right for those who need a face-to-face service in the future and agreed that the key was to get a good understanding of the customer base. She confirmed that the review is still in consultation phase with changes likely to be introduced in 2012/13, but subject to change depending on the views of the new government.
16. TG asked if it was the intention to reinvest the monies saved by closing enquiry centres. Libby responded that some of the savings would be used for alternative ways of working and by moving staff into other areas of work to meet other customer needs.
17. SS had his doubts about the statistics presented and wondered whether the drop in numbers using the service was due to the extreme difficulty people have in finding out the location of enquiry centres and their opening times. AH supported the review and the need for a new strategy, but added that it was most important that HMRC understood its customer base and the causes of contact before making any final decisions.
18. Francesca Lagerberg (FL) added that face-to-face is an excellent way of resolving difficult issues. She noted that taxpayers would be happy to use the HMRC internet site if they could find the information, so HMRC need to improve its website. A more radical approach for face-to-face contact would be to consider 'outlets' in Tescos or Post Offices.
19. PA acknowledged that although change causes some discomfort for those affected by it, but people do get used to it. It is important though that the many people who do not use the internet or telephone are catered for – particularly the vulnerable. TG highlighted the need for effective communications to help avoid reputational damage.

Item 5: P2 Issue

20. Sara Woollard (SW) spoke about the recent problems relating to the issue of P2 Coding Notices and the actions put in place to resolve these. Sara outlined how the new NPS system operates, the problems encountered from data migration to the new system and the consequent mismatches that caused incorrect P2 Notices to be created. One area that produced a large number of mismatches was employer works numbers. Sara also explained what actions HMRC had undertaken to isolate these mismatches and cleanse the data. Sara added that HMRC are working with pension providers and employers to improve data quality.
21. PA believes that HMRC needs to consider more radical solutions, such as checking and correcting coding notices online: the price tag for technological

advances maybe hindering HMRC so he suggested outsourcing to agents should also be considered.

22. MB is keen that lessons are learnt and there needs to be assurances that this cannot happen again. RS questioned why, with the exception of Companies House, there was such a poor record for IT delivery across government. MJ made a point about the testing of new software in the public sector and believes the process may be less rigorous than that in the private sector. SW suggested the scale of projects made them especially challenging.
23. AH believes the project was driven by the desire to save money which resulted in too much focus on HMRC's requirements at the expense of customer requirements: he suggested a joint project board would have worked much better. However, he praised the work by HMRC to recover the situation.
24. RG asked if companies would be asked for work numbers in future. SW responded that HMRC will be reviewing this issue. RS asked that the good PR on this issue be maintained. TG would like to see a report on the 'lessons learned' at a future meeting.

AP3. Sara Woollard to come back to ABAB when the 'lessons learned' have been established.

AOB

None

Next meeting:

Thursday 21 October 2010 (13:00 – 16:00) at 100 Parliament Street

Possible agenda items

- Office of Tax Simplification
- Coalition Update
- Debt Management
- Segmentation
- One in – One Out (Post Budget view)