



ADMINISTRATIVE BURDENS ADVISORY BOARD

Advisory Board Meeting
07 July 2005

Minutes of meeting on 7 July 2006

Administrative Burdens Advisory Board

Minutes of the meeting on 07 July 2006

09.30-12.15 Room G/16-100 Parliament Street

Advisory Board Attendees: Teresa Graham, Ian Dewar, Andrew Hubbard, Dr Martin Jones, Karen Thomson, Simon Sweetman, Roger Southam.

Apologies: Emmeline Owens, Francesca Lagerberg, Steve Sharratt, Julie Kenny

HMRC Attendees: Theresa Middleton, Dave Hartnett, John Hinton (for Mike Shipp), Pete Robson (for Doug Tweddle), Sara Woollard, Jo Walker, Mark Kelly.

Apologies: Steve Coad, Roy Massingale.

HMT Attendees: Edward Troup, Ceri Smith

Secretariat: Jane Andrews, Alison Smith

Welcome & Introductions

1. Teresa Graham welcomed everyone to the second meeting of the Board. The minutes of the meeting 19 May were agreed. The action points from that meeting had all been allocated, and were either progressing or had been satisfactorily discharged.

Item 2: Governance and other Structures (Paper - ABAB 2006/06)

2. Dave Hartnett gave an overview of the aims of the joint HM Treasury (HMT) and HMRC Deregulation Programme Board which he and Mark Neale (the managing director of the Budget, Tax and Welfare directorate in HMT) will jointly chair. He emphasised the importance that both HMRC and HMT placed on admin burden reduction, and Theresa Middleton's role as overall programme manager for deregulation. Teresa Graham welcomed the likely inclusion of the admin burden reduction targets in HMRC's future PSA agreements, and the significance placed on the Advisory Board's role in delivering the programme of reduction work.

Item 3: Admin Burden Irritants (Paper - ABAB 2006/07 available to Advisory Board members only)

3. Jane Andrews explained that the KPMG research was being analysed from a number of different angles, to identify and prioritise those areas identified by business as irritating, complex or burdensome - although not statistically significant as a proportion of the total burden. Available to this meeting were the criteria that had been applied to refine the research from a long list of possibilities to a short list. From this short list four areas were suggested for further work to establish the scope for future change. It was not possible to tackle all areas of irritation identified, so the Advisory Board's business perspective was sought on the ordering of priorities.

4. The Advisory Board discussed the criteria that the Board should apply when identifying priorities for action, and concluded that it should be whether the proposed change would really make a noticeable difference to the average business.

5. That test was then applied to the short list, and to other areas that the Advisory Board considered should be included. After detailed discussion, the

Advisory Board concluded that the areas identified in the KMPG research which met their criterion and merited further investigation to establish the scope for change were:

- Complexity around entitlement to **capital allowances** and the fit with business practice.
- The admin burdens caused by **industrial buildings allowance**
- Concerns around the low **voluntary disclosure threshold** in indirect taxes (although the Advisory Board was not convinced that raising the threshold was the only answer – was there another means of achieving the policy objective?)
- The Advisory Board asked for greater certainty for business around **employed/self-employed status**. HMRC explained that the root of the problem was that there was no tax legislation in this area, only very complex case law – but there is an electronic tool to try to bring a simplified front end, called the Employment Status Indicator (ESI). The Board felt that this was both poorly profiled and unhelpfully named. HMRC would see if more could be done to raise the visibility of this tool.
- **Benefits in Kind regime** – particularly the £8,500 threshold, where the Board was interested in the impact of removing the threshold altogether, taking a fresh look at the need for reporting the information on a P11D at all, and the operation of the dispensations regime. (Should it be a notification of liability regime instead?).
- Improving the company **car benefits** regime, preferably by radically simplifying the system, or at the very least reducing the information a business has to find to be able to comply. Teresa Graham expressed her personal view that she is opposed to complex systems continuing, with simple front ends presented to businesses that mask complexity.
- **Capital gains tax** – are there less burdensome ways of achieving the same result? Also a look at the burdens arising from the inter-relationship with Planning Gains Supplement and REITs. Mark Kelly pointed out that market research was being undertaken on this regime, and that he was likely to be in a better position to say more at the next meeting.
- The Board also expressed concerns at the burdens placed by Intrastat (the system for recording goods traded within the EU).

6. In addition, Members agreed that work was needed to re-consider the style by which HMRC requested information. For example, a one-off request as opposed to a regular return for information should clearly be flagged as such, and give the recipient an indication of why HMRC were asking for the information and so manage the perception of the potential burden. It was agreed there was an important piece of work here but that it might better form part of the Target 1 work to reduce the burden of forms and returns.

7. Board members stressed that care should be taken to ensure that specific efforts to reduce irritants did not in fact unintentionally increase or merely shift the burden to other customer groups by introducing new practices.

8. Members raised their recent experience of the detrimental impact that withdrawal of local agreements for one category of business had had on the perception of burden. Theresa Middleton explained the background to the decision, and that action was being taken to put the issue raised back on the right footing.

AP1: Advisory Board members to express an interest in each of these particular areas so that they can be brought into further work.

AP2: HMRC will undertake further work in the 9 areas identified by the Advisory Board to establish the case for admin burden reduction, and to report on progress at the next meeting of the Board.

9. The Advisory Board sought clarification about the borderline between HMRC's responsibility for tax administration, and the Treasury's responsibility for policy development. The Board's terms of reference were limited to administrative issues: the question was asked, what if policy change or development were central to success in the removal of some administrative burdens? Edward Troup confirmed that the Board's remit did not extend to policy issues, but that he was present on behalf of the Treasury to listen to any views expressed at meetings of the Advisory Board which impinged on tax policy issues and report back to Treasury ministers as appropriate. But the focus of the Board's work remained tax administration matters – which could include legislative change if necessary. Theresa Middleton, and others, expressed the view that many of the issues raised by business through the recent research centred on administrative issues.

10. The Advisory Board also considered HMRC's proposal that there should not be a specific focus on a programme for considering, and removing if not needed, information obligations identified in the research as having £0 burden on business. Instead, such requirements should be reviewed alongside any other changes that might be being considered in a tax area. While broadly content with that approach, Teresa Graham asked for further analysis to enhance the Board's understanding of what this part of the tail contained.

AP3: HMRC to undertake some further work to categorise the £0 burdens.

Item 4: Target 1, Forms and Returns Paper – (Paper - ABAB 2006/08)

11. Jane Andrews introduced the paper 'Baselining the forms and returns target'. The Advisory Board's consensus was that targets should be net rather than gross, but that business would not be interested in the detail – what mattered was changing the perception of burden, and a visible difference in the level of burden.

Item 5: Target 2, Audits and Inspections – (Paper - ABAB 2006/09)

12. The paper provided an update on the work HMRC had in hand to improve the existing inspections and audits process. Andrew Hubbard and Simon Sweetman had represented the Board at an event to take the work forward, and their input was welcomed, and had meant improvements in HMRC's plans. A further event was planned to which Advisory Board members were welcome, as their independent perspective was considered invaluable. Members expressed disquiet that that work appeared to be running separately from the recently announced pilots of new compliance interventions, and considered that communication of those pilots had been poor. The Board made clear the need to improve communication with business and the professions for this important work to be successful. Pete Robson confirmed that he was aware of the concern about communication before the pilots, and plans were in hand to improve the position. He offered assurances that the pieces of work were in parallel, but taking full account of each other. He sought the Advisory Board's support to act as ambassadors to communicate positive messages within the professional community. The Advisory Board sought a clearer understanding of the full picture for the next meeting.

AP4: Pete Robson will set a day for a workshop on improving the existing compliance interventions and invite Members. Secretariat to supply Pete Robson with contact details of Advisory Board members so that they might be invited to this.

AP5: For the next meeting Pete Robson will produce an aide memoir in order to facilitate a clearer understanding of the links between the various pieces of development work discussed.

Item 6: Promoting the work on reducing the admin burden of tax (Paper - ABAB 2006/10)

13. The need for a communication plan to keep the media informed was acknowledged, starting with the launch of a HMRC web page dedicated to Better Regulation, and including a link to the work of the Advisory Board. This would include the Board's Terms of Reference and minutes. The public would be able to make suggestions to the Advisory Board via this web page but to ensure the flow of suggestions were manageable, and to reflect all Members' wishes, it was agreed to that such contact would be managed through the existing portals.

AP6: HMRC to scope a media communication plan in time for one of the Autumn meetings of the Board.

AP7: HMRC to publish the web page.

The next two meetings of the **Administrative Burdens Advisory Board** will be held on 22 September 9.15 to 12.30, and 9 November 2.30 to 5.30 at 100 Parliament Street, London.