



ADMINISTRATIVE BURDENS ADVISORY BOARD

Advisory Board Meeting
11 December 2006

Minutes of meeting on 11 December 2006

Administrative Burdens Advisory Board

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12.30-15.15 Room G/16-100 Parliament Street

Advisory Board Attendees: Teresa Graham, Ian Dewar, Andrew Hubbard, Dr Martin Jones, Roger Southam, Francesca Lagerberg, Simon Sweetman, Ilyas Patel, John Endacott, Yvette Lamidey.

Apologies: Karen Thomson, Steve Sharratt, Julie Kenny, Narinder Gill

HMRC Attendees: Theresa Middleton, Roy Massingale, Geoff Lloyd, Steve Webster, Sally Beggs, Nigel Packham

Apologies: Dave Hartnett, Ian Hardie, Pete Robson, Louise Boyle, Mike Shipp

HMT Attendees: Ceri Smith, Simon Bor

HMT Apologies: Edward Troup

Secretariat: Jane Andrews, Alison Smith

Welcome & Introductions

1. Teresa Graham welcomed everyone to the fourth meeting of the Board. The minutes of the meeting 22 September were agreed. The action points from this meeting had all been allocated, and would either be addressed in the body of the meeting or had been satisfactorily discharged. Concerning AP1, Simon Sweetman will liaise with Sally Beggs¹ who leads for HMRC on Challenge Panels on inputs to the panel scheduled for 22 January 2007 addressing amongst other things Capital Gains Tax.

Following consultation members' views were being taken forward in respect of the electronic status indicator on the website.

Item 1: Pre Budget Report – Impact on Business – Paper 2006/16

2. Ceri Smith (HMT) introduced a paper to update the Advisory Board on the impact of Pre-Budget Report (PBR) announcements on business and sought members' views. He confirmed that when drawing up proposals there had been recognition that business welcomed stability. Ceri explained that it was too early to be certain of the precise admin burden impact of all the measures announced at PBR under the KPMG methodology. But early indications were that the PBR package could reduce the admin burden on business. He assured the group that consultation processes were in place for areas where implementation was not necessarily straight forward for business e.g. MSCs and Planning-gains supplement (PGS) to ensure a workable solution was implemented.

3. Francesca Lagerberg broadly welcomed the proposals in the PBR, including those in the Varney Review of Large Business which she considered should filter through to smaller businesses, and the outcome of the consultation on aligning filing dates for CT returns with other obligations. She endorsed the need for HMRC to improve its relationship with agents. However, she expressed concern that the new Construction Industry Scheme (CIS) tax deduction rate might cause real hardship for

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some. Also that there should be genuine HMRC support for those people who had 'sleep walked' into Managed Service Companies (MSCs) to get them into the appropriate system, be it to adopt employee status, or otherwise.

4. Other members sought clarification whether the new CIS tax deduction rate was truly grounded in research to achieve a fair impact, or was putting businesses in a net repayment position at the end of the period which negatively impacted on the cash flow and admin burden for sub-contractors. HMRC and HMT reassured members that in identifying the appropriate rate, the cash flow to business had been appreciated. The new 20% rate was not designed to raise revenue for Government and would balance the numbers of contractors with positive and negative end-year balances. Although there would be some who saw an impact on in-year cash-flow, this would be off-set by benefits from reducing the 'lumpiness' of end-year balancing payments, something identified in HMRC cash flow research as being a problem, for many small businesses.

5. Members also expressed concern about whether the proposed Planning Gain Supplement would introduce new admin burdens. Ceri reassured members that the admin burden targets were net, and therefore any new burdens would need to be offset by reductions in the business burden elsewhere.

Item 2 Payrolling Benefits

6. Yvette Lamidey updated the Advisory Board on IPP's P11D survey which has generated some 380 responses to date, although IPP's ambition was nearer the 1000 mark. With this in mind, the opportunity to respond to the survey had been extended until 22 December with a full report to be issued in early February 2007. Emerging findings show there was potential value to dealing with benefits by an alternative method. The IPP would provide more information once the survey was concluded and the results analysed.

7. In discussion, Advisory Board members identified that they were particularly interested that HMRC achieve an increase in certainty and consistency of treatment on dispensations, treatment of the charges paid on credit cards, and self certification. It was agreed that the HMRC's new Challenge Panels were the best place to explore these issues.

AP1: Questionnaire to be reissued by Secretariat to members for them to circulate and encourage responses.

AP2: IPP to update members on responses to P11D survey at next meeting after survey has been published, and appropriate Challenge Panel has met.

AP3: Yvette Lamidey to provide a summary of emerging findings from the survey to Sally Beggs before the 30 January Challenge Panel meeting.

Item 3: - Challenge Panels - Paper 2006/17

8. Sally Beggs introduced the paper on the development by HMRC of a system of Challenge Panels since the September meeting of the Advisory Board. She explained that these provided an appropriate forum to discuss administrative issues in detail, as well as any interface with policy issues. They demonstrated the level of senior engagement and commitment across HMRC's business areas (as well as within HMT) to reducing admin burdens, providing an opportunity to make real progress and to consider imaginative ways of addressing burdens.

9. Teresa Graham had attended one Panel, and endorsed their value. She assured members these were a serious attempt by HMRC to engage in reducing admin burdens. Members wanted to see the Challenge Panels being treated as a real opportunity by HMRC, supported by HMT, to change organisational culture to

one which puts simplification first. They asked for the opportunity to feed questions on issues they would like addressing to the Panels and receive feedback not just on what HMRC would do, but also what had been rejected. It was agreed that HMRC and HMT would work with Teresa Graham to ensure effective feedback from the panels to Advisory Board members.

10. It was agreed that members should send Sally Beggs their views on 'how HMRC might meet targets' for discussion at relevant Challenge Panels. HMRC agreed to provide details of forthcoming meetings with deadlines for receipt of views, which needed to be at a strategic level feeding into one of the targets areas or where change would make a visible difference to a wide range of businesses.

AP4: Members should send Sally Beggs their views on significant issues and challenges that might usefully be raised at relevant Challenge Panels.

AP5: Secretariat to provide members with deadlines for appropriate input.

AP6: Secretariat to agree a format for keeping the Advisory Board members informed of Challenge Panel issues.

Item 4: - Audits and Inspections - Paper 2006/18

11. Theresa Middleton outlined HMRC's ambition to become a customer focused organisation explaining how this would impact on proposals for compliance interventions, detailing HMRC plans to work with and consult agents in the future to design new interventions and appropriate responses in the compliance arena, together with HMRC plans to develop its risk profiling.

(See attached slides)

12. Nigel Packham ran a Christmas quiz which introduced some of the findings from research commissioned by HMRC into which businesses were most likely to be compliant.

13. Members acknowledged that there was often a divergence in opinion between HMRC and businesses as to what criteria should be used to determine a compliant business, was it the intention to get it right or the actual act of getting it right that should be the determining factor.

14. HMRC acknowledged the importance of helping to support businesses to get it right and the potential impact this will have on business behaviour. The need to support business rather than appear a barrier to businesses taking up opportunities e.g. Contaminated Land Use Relief was discussed. Geoff Lloyd asked for feedback from business when they experienced this happening.

15. Yvette Lamidey expressed a concern that PAYE issues did not seem to focus as high on the agenda as other issues, as evidenced when she attended meetings of the Powers Review Consultation process. HMRC committed to take this concern on board.

Item 5: HMRC team plan for the next few months

16. Jane Andrews outlined the work HMRC was undertaking to achieve the forms and returns target, with the work of Challenge Panels playing a key role to support this. HMRC analysts, with HMT and HMRC policy makers were carrying out impact assessments for changes that would track progress against meeting the targets. A change to any form would necessitate a supporting change to HMRC IT; consequently a bid was in the system for funding to implement such IT changes.

17. A large amount of work was ongoing around audits and inspections work as outlined to members at the meeting and in the supporting paper, with the exit

questionnaire high on the agenda. Interest from Advisory Board Members to support HMRC taking this forward was canvassed.

18. Work continued to look at the identified irritants, with emphasis on making 'leverage letters' more meaningful. Jane Andrews' team were also planning more work on engaging with HMRC's front line staff on the scope for improving the service that would lead to a reduction in the admin burden for business. A package of improvements had been developed for the online tool on employment status, although there were problems to be resolved to get those changes launched.

Date of next meeting

19. Although constraints on what could usefully be discussed before the Budget were a concern, the Advisory Board agreed that an early meeting focussed on Challenge Panel out put and forward planning would be helpful.

AP 7: Secretariat to fix the date of the next meeting at the end of February/beginning of March 2007.