



ADMINISTRATIVE BURDENS ADVISORY BOARD

Advisory Board Meeting
22 September 2006

Minutes of meeting on 22 September 2006

Administrative Burdens Advisory Board (ABAB)

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09.30-12.00 Room G/16-100 Parliament Street

Advisory Board Attendees: Teresa Graham (TG), Ian Dewar (ID), Andrew Hubbard (AH), Dr Martin Jones (MJ), Karen Thomson (KT), Roger Southam (RS), Steve Sharratt, (SS) Julie Kenny (JK), Narinder Gill (NG)

Apologies: Francesca Lagerberg, Simon Sweetman

HMRC Attendees: Theresa Middleton (TM), Dave Hartnett (DH), Pete Robson (PR), Ian Hardie (IH), Mark Kelly (MK), Roy Massingale (RM), Sue Walton (SW)

Apologies: John Hinton, Mike Shipp, Steve Webster

HMT Attendees: Edward Troup (ET), Ceri Smith (CS) Priyen Patel (PP)

Secretariat: Jane Andrews (JA), Alison Smith (AS)

Welcome & Introductions

1. Teresa Graham welcomed everyone to the third meeting of the Board. The minutes of the meeting 7 July were agreed. The action points from that meeting were either progressing and would be reviewed in the body of this meeting, or had been satisfactorily discharged.
2. TG introduced a general discussion to ascertain what members wanted from the meeting. A wide ranging discussion followed with a number of views expressed. There was broad consensus that achieving admin burden reduction that was noticeable to business was more important to the Board than HMRC's statistical achievement of the admin burden reduction targets. Some members considered that it would be helpful if HMRC communicated options for change that it had dismissed due to admin burden implications, to show the thought that was being given to this subject. Others were concerned that the Board would not achieve the results it desired because so many of the real admin burden issues were linked with tax policy issues. It was acknowledged by all contributors that there had to be a balance between what HMRC could do, and policy decisions, with a balance to be had between various policy objectives. HMT assured members that they were listening to arguments put forward by Board members, and would feed back into the policy development process any policy blocks to admin burden reduction, but this was not the forum to drive policy change, and the Board's remit did not encompass policy issues. TG hoped that the Board might develop its role to advise on the implementation of planned changes in such a way as to minimise potential increased burdens. Theresa Middleton endorsed the value of the group in making a difference to the existing stock of regulation, and challenging to ensure that HMRC were really tackling burdens and influencing implementation of future regulation so it was less burdensome than might otherwise be. Ian Dewar agreed that the Board should make a positive impact by endeavouring to make life easier for those people who were really trying to comply.
3. At Dave Hartnett's request it was agreed that for future meetings it would be helpful if Board members were provided with progress reports against delivery plans, with the issues for discussion identified.

4. There was a newly formed network of deregulation champions embedded within HMT policy teams. TG had addressed their last meeting and reported the positive response she had received to her message that HMT policymakers and HMRC administrators should work together to ensure reduced admin burdens.

Media Communication Protocol (Paper - ABAB 2006/11)

5. The proposed text of a media protocol was accepted. The Board agreed to defer active media engagement until after PBR.

Item 2: Admin Burden Irritants, Update on categorising £0 cost burdens (Paper - ABAB 2006/12)

6. The Board discussed the merits of looking at zero cost burdens on an individual basis against the suggestion in the paper that they be tackled only as part of a wider piece of work in the relevant tax area. Members accepted the conclusion of the paper but expressed reservations about the methodology of a model that created burdens with a zero cost attached to them.

Item 3: Admin Burden Irritants (Paper - ABAB 2006/13)

Annex 1 Capital Allowances

7. The Board explained that, within the HMT/HMRC consultation on capital allowances for business expenditure on cars, the private use adjustment and the value of the writing down allowance were recognised as important issues for unincorporated business. HMT acknowledged that it was useful to hear those concerns and confirmed that they were being addressed in the consultation. HMT acknowledged the Advisory Board's point that there was a balance to strike between the Government's environmental and deregulatory policy objectives, this too was part of the consultative process. The overlap with the Company Car question was recognised. The merit of an annualised formula to avoid the need to keep detailed mileage records was discussed, and the pros and cons of mandation or choice, were discussed.

Annex 2: Capital Gains Tax (CGT)

8. The Advisory Board agreed to the proposal that the admin burden aspects of CGT be incorporated to the current review of CGT. The CGT Review Group meets next on 3 October. Simon Sweetman is already a member of that Group, and had agreed to represent the interests of the Advisory Board and report progress to the next meeting.

AP1: Secretariat to ensure Simon Sweetman is kept updated of CGT Review Group meetings and can attend on 3 October

Annex 4: Voluntary Disclosure Threshold

9. The Board endorsed the Powers Review proposals for penalties for incorrect returns outlined in the paper. Dave Hartnett updated on progress on the Powers Review.

Annex 5: Employed/Self Employed Status

10. The user experience of the self employed status indicator was discussed. There were reservations about the ease for users of bringing together the information needed to enable it to be used, the ability to save part completed information, the very official feel to it, and the difficulties with using it anonymously. On the other hand Karen Thomson noted the usefulness of the tool and its value in supporting an individual's decision.

11. The Board asked HMRC to consider if the case law surrounding employment status could be made clearer and reviewing the skills levels of Status Inspectors. KT asked whether a standard article about ESI was available to be used to promote what HMRC was doing to help people through complexity.

AP2: Roger Southam to liaise with Sue Walton on how the usability of the Employer Status Indicator could be improved.

AP3: SW to pursue whether a standard article was available or could be provided.

AP4: Members asked the Secretariat to issue a list of HMRC and HMT members with contact phone numbers to facilitate exchanges.

Annex 6: Benefits in Kind

12. TG explained that the Board was interested in a fresh approach to the £8500 threshold, as well as what a much simpler system might look like. SW explained that she was planning an internal HMRC workshop later in September to consider the scope for improvement in handling benefits in kind. Depending how that progressed, a wider discussion would follow.

13. KT from The Institute of Payroll Profession updated on their electronic survey of payrolling benefits and offered Board members the link to this survey on request.

AP5: KT will feed in emerging findings at the next meeting.

Annex 7: Car Benefits Regime

14. HMRC will look at car benefits within the wider work on benefits in kind. Because it is such a significant issue to business the Advisory Board were anxious that it should not be subsumed within the review of Benefits in Kind. HMRC said that work on car benefits would form a significant identifiable strand of this work.

Annex 8: Intrastat

15. Mark Kelly updated on the position, recognising that this was an area where there was scope to make significant burden reduction whilst considering if there remained the need for this regulatory safeguard.

16. TG asked that HMRC and HMTs efforts concentrated on removing rather than amending the information requirement.

17. Julie Kenny asked to input into this work.

AP6: Give JK the opportunity to input into Intrastat work.

Annex 9: The style by which HMRC requests information

18. HMRC outlined the various strands of activity underway to take forward the Advisory Board's view of the improvement need. It was agreed that HMRC will arrange for their newly appointed communication advisor to meet with Advisory Board members.

AP7: HMRC will arrange for their newly appointed communication advisor to meet with Advisory Board members.

Item 5: Target 1, Forms and Returns Paper – (Paper - ABAB 2006/14)

19. Roy Massingale updated on the work to simplify the main tax returns (MTR), including amongst other things, a simpler CGT return supported by better guidance, for smaller gains. Resources in HMRC are at present directed to the MTR and will be moved to consider the partnership returns as they become available. The Advisory Board had real reservations about this policy, seeing the partnership return for small partnerships as an area where real gains could be made. They questioned the need for every partnership to return both overall partnership income as well as individual partner's income.

20. TM confirmed that she was taking forward the issue of reallocation of resource from the MTR to the partnership return, and assured the Advisory Board that this was being addressed.

21. The Advisory Board accepted that there might be learning from other reviews which could read across to the partnership return. However they were keen to start from the radical position of could the return be abolished, and to understand if this was not possible why not. If it was HMRC's need to collect data to inform its risk profiling, they questioned what was the minimum data required from partnerships essential to perform this? The Board were keen to make early progress to consider a fundamental review because of the time it would take to change HMRC IT systems to implement any changed approach. Roy Massingale agreed to bring such a think piece to the next meeting.

AP8: Roy Massingale to update the Advisory Board in December on progress towards simplifying the main tax returns, including the partnership return.

Item 6: Target 2, Audits and Inspections – (Paper - ABAB 2006/15)

22. To discharge action point 4 from the last meeting TG updated the Advisory Board that Simon Sweetman was attending two of the four Audits and Inspections workshops, improving HMRC's current compliance interventions and new ways to tackle non-compliance. TG asked for volunteers for the other two and Karen Thomson offered to attend the penalties for incorrect returns on 4 October and both Karen Thompson and Andrew Hubbard will attend the Inspection and Information powers Safeguards on 23 October.

AP9: ABAB Secretariat to inform the HMRC event organisers.

23. Pete Robson confirmed that the Communication Bigger Picture would be addressed at the workshop on interventions being held that day.

24. PR reported that the interventions work and powers review were intertwined and at present HMRC was in the consultative stage considering the scope for improving the experience of interventions for business without endangering risk, confirming that a process to evaluate the consultative work was in place. He acknowledged the Advisory Board's premise of the right level of intervention for the right level of risk, confirming he would report progress against a timeline at the next meeting.

25. Although HMRC would baseline and monitor the effect of changes to Audits and Inspections using the Standard Cost Methodology adopted by KPMG, the cost in admin burden terms was a relatively small part of the total. PR's team were therefore developing alternative proxy measures, which would also capture the psychological effect on business. These were still being developed, and PR will update members at the next meeting. The Advisory Board asked for consideration to be given to reconciling the differing definitions of compliance so that recommendations from the powers review did not jeopardise all the good work on audits and inspections

AP10: PR will report progress to the Advisory Board at the next meeting.

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26. Steve Sharratt explained that HMRC did not promote improvements in its services sufficiently. For example the introduction of R&D specialist teams who are culturally on board with R&D to positively assist claimants and reduce the potential burden of inspections.

27. HMT accepted this was a communication and timing issue, although engagement with the 'big 4' was already underway and wider publicity was about to be given to the initiative.

28. The next meeting of the **Administrative Burdens Advisory Board** will be held on 11 December at 100 Parliament Street, London. This meeting replaces the one scheduled for November to increase the likelihood of being able to discuss what had been on the PBR.