

Delivering a new relationship with business

Progress on HMRC's plans to improve
the SME customer experience

March 2008

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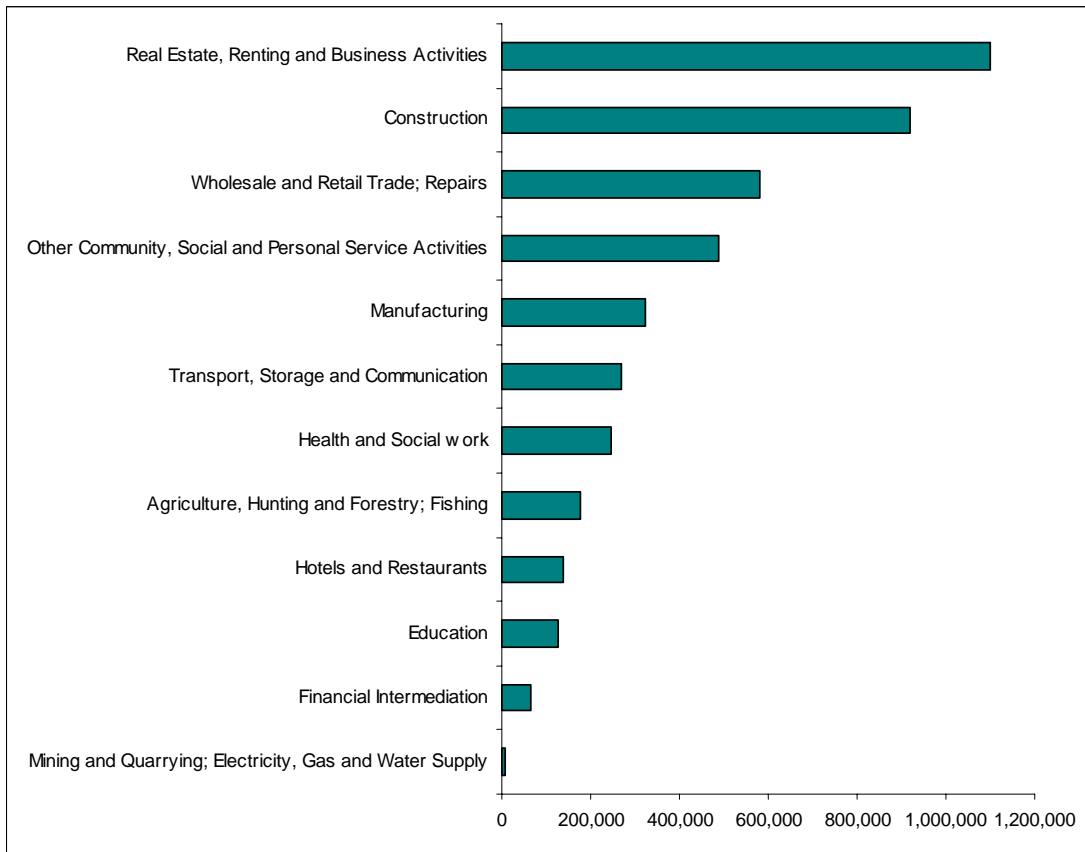
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Chapter 1. Introduction

Importance of small and medium sized businesses (SMEs)

1.1 There are almost 4.5 million SMEs in the UK, the largest number since estimates began in 1980, contributing almost 50% of turnover in the UK. Over 99% of all businesses in the UK are SMEs and they operate using a range of different legal forms. Over 4 million people earn some of their income from self-employment; including over 1 million who are in partnership. And over 1 million companies are small businesses. SMEs employ around 13 million people in the UK, more than 50% of the total private sector workforce, creating wealth and employment opportunities across the whole country.

1.2 The diversity of the small business population means that the tax system and its administration needs to retain flexibility if it is to address the range of small business needs. The table below illustrates the range:



Source – BERR – 2006 SME Statistics for the UK

1.3 SMEs are a very significant business customer group for HMRC and an important contributor to the tax that we collect for the Exchequer. In 2006 SMEs were responsible for the collection of around 40% of all HMRC taxes.

SMEs and the administrative burden of the tax system

1.4 We recognise that the priority for people running SMEs is making a success of their businesses - running them efficiently, providing a good service for their customers and attracting new customers. Time spent dealing with tax is time not spent doing these things. We acknowledge that business in general (and small business in particular) wants to spend less time on tax. This is why our programme to reduce the administrative burden of the tax system is important. Although all businesses benefit, SMEs have much to gain as 88% of the business tax administrative burden falls on this group.

1.5 Chapter 2 of this paper provides an update on the work we are doing to **reduce administrative burdens** so that businesses will be able to spend more time on their own activities and less on tax. Delivery of HMRC's administrative burden reduction targets is a central part of our key strategic objectives over the next three years demonstrating that we want to be judged on our success in this area.

What else do SMEs want from HMRC?

1.6 The vast majority of businesses recognise their wider responsibility to comply with their tax obligations – and want to do that as easily as possible. Research we have done has identified a number of priorities for SMEs to make their dealings with the tax system and HMRC as straightforward as possible. SMEs would like:

- **flexibility** in the way HMRC deals with individual businesses;
- **fast resolution** of any disputes over amounts of tax due;
- a **proactive approach** in helping SMEs fulfil their obligations;
- **consistency** in levels of service; and
- an **understanding** of business needs.

How is HMRC improving the service it provides to business?

1.7 We are committed to improving the customer experience of dealing with the Department across the piece. In many ways SMEs and large businesses want similar things and SMEs will benefit in significant ways from the Review of Links with Large Business. For example, the new consultation framework and improved guidance will benefit businesses of all sizes. In addition, an extended clearance process will be available to all businesses from 1 April 2008 (see paragraph 4.5). We are publishing an update on the Review of Links with Large Business alongside this document at Budget 2008¹.

¹ The framework for a better relationship. Making a difference: Review of Links with Large Business, Budget 2008

1.8 In other respects, the needs of SMEs vary from those of larger businesses, and the numbers, range and diversity require a different approach. This paper sets out the range of activities that we have in place to deliver the type of improvements that SMEs want: Chapter 3 focuses on the particular needs of new and growing businesses at key stages in their life cycle, and Chapter 4 looks at examples of HMRC initiatives designed to benefit SMEs and their agents more generally, grouped around the SME priorities outlined in paragraph 1.6.

Chapter 2. Reducing administrative burdens

2.1 The Government is committed to ensuring the UK provides a world class environment for business. The 2007 Pre-Budget Report launched a significant programme of tax simplification – setting out new principles, new reviews and a package of policy and administrative reforms – to enhance productivity and competitiveness. Budget 2008 continues this commitment to tax simplification with a further package of reforms.

2.2 Administrative requirements associated with the tax system cost businesses, and especially SMEs, significant time and money. Wherever possible, the Government aims to minimise these burdens and as with other forms of tax simplification, free up business resource for more economically valuable activity. In recognition of this, Budget 2006 announced two specific administrative burden reduction targets for HMRC to achieve by 2010-11.

HMRC's administrative burden reduction targets

Target 1: to reduce the administrative burden on businesses of dealing with HMRC's **forms and returns** by at least 10 per cent over 5 years (equivalent to a total reduction of **£337 million**).

Target 2: to reduce the administrative burden on compliant businesses of dealing with HMRC's **audits and inspections** by 10 per cent over 3 years, and at least 15 per cent over 5 years (equivalent to reductions of **£14 million** and **£21 million** respectively).

2.3 These targets were based on research² carried out in 2005 to model the administrative burden imposed on business by the UK tax system. The burden was estimated using the Standard Cost Model (SCM), originally developed in the Netherlands and since used more widely by other Government Departments and a number of other countries. This found that the total administrative burden placed on business by the UK tax system is approximately £5.1 billion a year.

2.4 At Budget 2007, we announced that we had delivered combined administrative burden savings of £170 million towards these two targets. Since then we have been working to make further progress towards delivery of the targets.

² The results of this exercise are available at <http://www.hmrc.gov.uk/better-regulation/kpmg.htm>

2.5 But we recognise that we need to do more than meet our numerical targets. Just as important is the need to make a noticeable difference to businesses' experience of the tax system. The Administrative Burdens Advisory Board (ABAB) has identified this as the key measure of success. We are committed to taking on this twin challenge and we have a broad programme of work in place to achieve this.

2.6 ABAB, chaired by Teresa Graham CBE, has an important role to play. Members have experience of dealing with the tax system either as a business taxpayer, an intermediary or a representative. ABAB has brought a sharp external focus to our work, providing a challenge function and ensuring that we are focused on issues that will make a real difference to business.

2.7 HMRC's key internal lever has been the administrative burden 'challenge panels', where key policy teams are subjected to detailed scrutiny on their plans and are challenged to think radically and go further. The panels help to ensure that the drive to reduce administrative burdens is given priority across the Department.

2.8 This chapter goes on to explain how we have been meeting our administrative burden challenge over the last 12 months (since the last update at Budget 2007).

Reducing the burden of forms and returns

Why forms and returns?

2.9 We are targeting forms and returns because they represent almost 68 per cent of the total administrative burden (£3.37 billion) and they are the main way that businesses interact with the tax system. Whilst forms and returns are a necessary part of any effective tax system, we have a challenging target to reduce the burden they impose.

Progress at Budget 2007

2.10 At Budget 2007, we reported that we had made a good start on reducing the burden of forms and returns with a range of reforms delivering net administrative burden savings of £130 million towards the target. This included removing the need for 90% of new companies to complete Form 42 (recording share-related benefits provided to employees), a new Form P46 (used by those starting a new employment without a P45 from their previous employer), the new Construction Industry Scheme and a redesigned VAT registration form coupled with improved guidance.

PBR 2007 announcements

2.11 Since then we have been working on a programme of change to make progress towards the administrative burden improvements that businesses say they want. At PBR 2007 the Chancellor made announcements about some of the more advanced initiatives which are estimated to reduce the administrative burden of forms and returns (including payment) by a further £56 million:

- from this year (2008 tax returns), doubling the three line account threshold (to £30,000) and introducing shorter self-employment pages for businesses with turnovers below the VAT registration threshold, helping 1.3 million businesses submit shorter tax returns;
- doubling the payment on account threshold for income tax self assessment (to £1000 from April 2009), simplifying the payment system for 320,000 businesses; and
- removing the need for 250,000 non-residential and residential Stamp Duty Land Tax (SDLT) returns by introducing a notification threshold of £40,000 for all freehold and leasehold transactions from Budget Day 2008.

Ongoing changes to reduce administrative burdens - more online

2.12 Well designed online services can bring real benefits to business including:

Convenience	Available night and day
Accuracy	Calculations are done for you and built-in validation reduces chance of error and consequent queries or correction
Faster process	Pre-population of some fields, only the relevant sections are presented, automatic upload of data such as PAYE coding notifications
Assurance	Immediate on-screen acknowledgement of receipt, and the ability to view and manage certain information online
Cheaper	Saves costs of printing, photocopying, postage and enables easy electronic payment which can yield cash flow benefits (more time to pay)
Support	Up to date online help and tools and a dedicated helpdesk
Synergies	Facilitates improved links between accounting and tax-related software

2.13 In line with Lord Carter's recommendations for increasing use of HMRC's key online services, we are aiming for universal electronic delivery of tax returns from businesses and IT literate individuals by 2012. As well as the main business taxes, we are also facilitating and encouraging online filing for other taxes and duties including:

- Stamp Duty Land Tax (SDLT) returns;
- Capital Gains Tax (CGT) Self Assessment pages;
- Construction Industry Scheme returns; and
- Pensions Scheme returns.

2.14 We are also developing a range of flexible payment options, including a new direct debit system that will make the process of payment less burdensome, particularly for small businesses (see paragraphs 4.2-4.4).

2.15 Overall, the switch to easier online filing and payment is estimated to reduce the administrative burden of our forms and returns by around £15-20 million during the target period.

2.16 We are also introducing a redesigned Main Tax Return for tax year 2007-08. It is shorter and clearer with simpler text, larger font and better layout, making it easier for customers to understand and complete. From April 2008, certain boxes in the SA online return will be pre-populated with data from HMRC's other systems (for example, the boxes relating to underpayments brought forward, State Pension and Student Loan Indicator) reducing the circumstances in which customers have to provide the same information more than once.

Future European Union (EU) changes to reduce administrative burdens – Intrastat

2.17 ABAB identified Intrastat as a priority area for action because of the amount of detailed information businesses need in order to complete the form. There is wider EU interest in simplifying the Intrastat rules, so we consulted businesses and data users in the second half of 2007 to help inform the UK's negotiating position on proposed options. Following the consultation, the UK will work towards 'single flow' in the long term (i.e. only collecting data on either dispatches or arrivals, and using data from other Member States to provide the other 'flow') but will support the option to reduce the coverage of Intrastat to 95% in the short term. If applied to both dispatches and arrivals this will remove 13,500 UK businesses from the obligation to complete Intrastat forms, reducing administrative burdens by an estimated £3.5 million per annum.

Consulting on future changes to reduce administrative burdens – to benefit employers and the self-employed

2.18 Feedback from ABAB and business in general has highlighted that the administrative burdens imposed on employers, particularly around the end of year process involved in reporting benefits in kind, is a priority area for action. At PBR 2007, several measures were announced that have the potential to reduce the administrative burdens for employers:

- consultation on how best to collect tax on benefits in kind and expenses through the payroll, helping up to 500,000 employers by removing the need for a separate end of year process;
- this consultation also seeks to gain a better understanding of the implications for employers and employees of removing the £8500 earnings threshold (the level at which most benefits in kind become taxable). While HMRC believes that removing the threshold could make reporting benefits and expenses simpler for employers, we need to fully understand any wider impacts; and
- working closely with business to improve the guidance on tax and NICs, making it easier for all employers to understand and meet their tax obligations.

2.19 Since PBR, we have also launched a consultation on “Modernising PAYE processes for students” with a view to changing the arrangements for students in order to match their work patterns better. Bringing students into mainstream PAYE could deliver further administrative burden reductions for employers.

2.20 We will also be consulting on how to improve the present separate systems for collecting Class 2 and 4 national insurance contributions (NICs), to make it easier for around 3.3 million self-employed to understand and pay their NICs³.

2.21 Our target is to achieve net reductions in administrative burdens and that means we have to take account of any changes that lead to increased burdens. We therefore have to ensure any new burdens are kept to a minimum. For example, the European Commission and Member States are considering whether they need to increase the frequency of, and level of detail shown on, EC Sales Lists⁴ in order to help tackle VAT fraud. We are currently consulting businesses to assess the impact of these potential changes because we want to ensure

³ This consultation is due to be published at Budget 2008.

⁴ A form which summarises the value of goods sold to VAT registered customers in other EU Member States.

that additional costs to business are not disproportionate to the benefits of tackling VAT fraud.

2.22 Overall, in the last year we have made firm announcements about changes that will reduce the administrative burden of forms and returns by a further £56 million towards our target. We have continued to invest heavily in our online infrastructure and customer support to underpin the drive for greater take-up of our online services. We have also announced a series of consultations and have a wider programme of work in place to take us through to 2010-11. This includes looking for further opportunities to reduce the burden of tax returns for small businesses. We will continue to work on this programme in conjunction with ABAB, taking account of business priorities, and reporting progress through the annual Budget process.

Reducing the burden of audits and inspections

Why audits and inspections?

2.23 Although audits and inspections are a relatively small part of HMRC's administrative burden baseline they can have a significant impact on businesses, including the uncertainty associated with the process. The focus of the target is to reduce the burden of audits and inspections for compliant businesses whilst making it as easy as possible for them to comply with their obligations.

Progress at Budget 2007

2.24 At Budget 2007, we reported that we had reduced the net administrative burden of audits and inspections by an estimated £43 million. This was due to the introduction of the reformed Construction Industry Scheme. The new regime delivers real administrative improvements for the construction sector. But we are committed to doing more to reduce the burden of audits and inspections for all business sectors, as part of the modernisation of this part of our compliance activity.

Managing compliance and reducing burdens

2.25 Audits and inspections will continue to play an important part in securing compliance. The type of interaction customers have with us will become increasingly and more explicitly tied to their behaviour. Customers who pay the right tax at the right time and meet their responsibilities will incur less burden; those who do not understand or who make mistakes will be supported to make it easier for them to comply in the future; and those who deliberately do not comply will be

targeted quickly with an intervention designed to change their behaviour.

2.26 We plan to deliver this more effectively differentiated approach by:

- a) Analysing risk as accurately as possible so that compliance checks are targeted according to the risk and behaviour of the customer** - better targeting will mean that the burden of HMRC's audits and inspections will increasingly be concentrated on those customers who do not want to comply with their obligations. The legacy systems from the two predecessor Departments already provide a considerable capability to profile and target non-compliance. But we recognise that we need to take this capability further, particularly in our ability to assess risk across the tax regimes, making better use of third party data and the information we collect and retain during normal processing activities. We are planning to have a strategic risk analysis system in place by 2010-11. This will allow all of the data held by HMRC to be actively matched and profiled to identify high risk customers across regimes.
- b) Having a range of interventions that are suitable and proportionate** – our traditional response to suspected non-compliance, particularly in direct taxes (and irrespective of taxpayer behaviour), was to conduct a formal enquiry into a customer's tax declarations. This 'one size fits all' approach could be disproportionately burdensome in some cases, particularly for those who try to comply but make mistakes. We are therefore reviewing the design of the intervention process with a view to extending the range of intervention options available, to create a set that are better targeted, less intrusive, and less costly to business (and HMRC).
- c) Carrying out interventions as quickly and efficiently as possible** - if an intervention is appropriate, it is important that it is done to a high standard and that the process is as fast and efficient as possible. We are introducing a range of different approaches to help achieve these objectives:
 - we are trialling the use of General Tax Practitioners (HMRC officers trained in direct, indirect tax and employer compliance) carrying out single interventions dealing with tax on profits (income tax or corporation tax), PAYE and VAT – as an alternative to separate interventions for each regime.

- we are looking at how clear communications from the start can reduce the length of time spent on audits and inspections. We have been working with the Compliance Reform Forum⁵ to consider how earlier and more open communication can improve the way HMRC deals with interventions. We are currently piloting a new approach in a number of local offices.

How will HMRC measure its success at reducing the burden of its audits and inspections?

2.27 As we reported in our March 2007 update⁶, the administrative burden of audits and inspections, as measured using the Standard Cost Model (SCM), does not fully capture the aspects of audits and inspections that cause businesses most concern. As a result, we have been developing supplementary ways of measuring our success at reducing the burden from audits and inspections which will apply from April 2008 to 2010-11, alongside the SCM measurement.

2.28 The new measures are designed to encourage and drive the right behaviour in our interactions with customers, particularly the need for appropriate interventions, timeliness and certainty. For SMEs, we aim to deliver:

- *15% reduction in time spent on auditing and inspecting businesses found to owe HMRC less than £1000⁷*

2.29 We will keep ABAB updated on our progress as part of our regular programme of meetings with them, and provide a formal update at each Budget along with the main targets.

2.30 Delivering against the numerical targets should make a real improvement to the business experience of our audits and inspections. But the real test of our success will be what businesses actually experience in practice. To supplement the measure above, we also plan to survey businesses that have recently experienced an audit or inspection to get their feedback on 'how it went' and their suggestions for improvements. This information will be fed back to operational staff to help drive further improvements in the process. Along with this, we

⁵ The Compliance Reform Forum is a consultative body, involving accountancy and other professional bodies and customer groups, which is helping HMRC to develop new approaches to improving compliance

⁶ Delivering a new relationship with business: Progress towards reducing the administrative burden on business (March 2007)

⁷ This will cover businesses served by HMRC's Local Compliance Directorate

are taking steps to improve the clarity and tone of the letters we send before, during and after interventions.

2.31 For those businesses served by our Large Business Service we have developed more tailored measures:

Efficient risk based approach

- *Reduction in the number of businesses subject to enquiry – between 2008-09 and the end of 2010-11 an additional 15% of businesses benefiting from a ‘low risk’ relationship*

Speedy resolution of issues

- *Reduction in the number of 18 month or older open issues – from a baseline at the beginning of each year, a set percentage of issues which are 6 months old or more at the beginning of the year will be settled by the end of the year:*
 - 2008-09 – 70%
 - 2009-10 – 75%
 - 2010-11 – 80%

New Penalties Regime

2.32 Our modernised approach to compliance activity is supported by the new penalties regime which will take effect for tax returns due from 1 April 2009. The new penalties are designed to be more clearly and consistently linked to taxpayer behaviour. In particular, they remove the risk of penalties from those who take care with their tax obligations but nevertheless make unintentional errors. Where taxpayers do not take sufficient care to get it right, suspended penalties will be available in appropriate cases to encourage them to do so in the future. Higher penalties for deliberately falsifying tax returns respond to business concerns that tax evasion creates unfair competition.

Reducing other administrative burdens

2.33 As well as working towards our administrative burden reduction targets (on forms and returns & audits and inspections) we are also looking for opportunities to reduce the wider administrative burden of the tax system on business.

Progress at Budget 2007

2.34 At Budget 2007 we announced that we had delivered annual administrative burden reductions of an estimated £134 million in addition to progress in the two target areas. This included the new

simplified pensions tax regime, the new Construction industry Scheme and VAT reforms to streamline the process for agreeing VAT partial exemption special methods, along with simplification of the VAT record keeping requirements for businesses transferred as a going concern.

2.35 In addition, Budget 2007 also announced a package of reforms to modernise and simplify Capital Allowances, which have been identified by business as an irritant. The reforms included the introduction of the Annual Investment Allowance and simplification of writing down allowances (WDA) through the introduction of two pools (with WDA rates of 20% and 10%), along with phasing out of the Industrial and Agricultural Buildings Allowances. Together these changes will deliver estimated administrative burden savings of £15 million per annum.

PBR 2007 announcements

2.36 As part of our work to reduce the administrative burden of Stamp Taxes, PBR 2007 announced a simplification of Stamp Duty (which is payable on paper based transactions in UK registered shares and securities). This reform means that transactions currently attracting Stamp Duty of not more than £5 will be exempt from the tax – cutting the number of documents that need to be presented for stamping by more than 60 per cent. This change will deliver additional estimated administrative burden savings of almost £14 million.

Chapter 3. Helping new and growing businesses meet their tax obligations

3.1 The National Audit Office estimates that around 700,000 businesses start up each year. New businesses have differing levels of experience and varying information needs. Compliance can be more onerous for new and smaller businesses and they have a lot to gain from appropriate HMRC assistance and simplified requirements.

3.2 We recognise that businesses often need extra help at other key stages in their business life cycle. For example, businesses have to register for VAT when their turnover hits the VAT registration threshold and they have to register for PAYE when they take on their first employee. We target support accordingly and are also carrying out research to get a better understanding of the impact on businesses of undertaking these requirements

Becoming self-employed

3.3 We now contact new businesses to offer help before they are due to file their first return. We are testing the impact of different contact methods and looking at the relative usefulness of the written, telephone and face to face guidance (including workshops and presentations) we give to new businesses shortly after registration.

3.4 We recognise that new businesses often turn to other organisations for advice, such as banks and trade associations. We work closely with a range of external organisations and business groups and we are exploring how we can use such bodies to help give new businesses the support and information they need about tax. We are also piloting a similar approach with bodies providing vocational training for those about to become self-employed.

Reaching the VAT registration threshold

3.5 We recognise that it is a key priority for businesses to be able to register for VAT quickly and easily and we acknowledge that our performance fell short of expectations in 2007. Threats to the VAT system exist from serious fraud, such as MTIC. So it is right that we make robust checks at the registration stage - but this should not present barriers to legitimate businesses joining the VAT system.

3.6 An action plan was implemented in July 2007 to tackle all the aspects of the problem: delivering increased staffing, improved processes and IT systems, and improved targeting of risk checks. This

action plan has delivered significant improvements in performance. Since December 2007 performance has returned to target levels with over 70% of cases processed within 14 days, and we are confident that these improvements will be sustained going forward.

3.7 We are meeting the target of processing within 14 days for complete, accurate and low risk applications. The average processing time for all applications is now 12 (calendar) days. Protecting revenue must remain a priority for higher risk applications. But we will continue work to reduce overall registration processing times through further process and IT improvements and by working with business to increase the proportion of applications that are complete and accurate when submitted.

Becoming an employer

3.8 There are currently around 1.8 million employers, of which 95% are SMEs and more than 25% have been in business for less than three years. Existing research consistently reinforces the view that small and inexperienced employers are more likely to struggle with the complexity and range of payroll tasks that are required in meeting their obligations to HMRC.

3.9 For this reason, we have focused a number of new initiatives on the needs of smaller and newer employers (although these will still be of benefit to employers more generally). These include:

- a) employer CD-ROM** – this is issued twice a year to all employers and contains everything needed to set up and maintain a payroll, including a range of calculators and ‘Teach Yourself’ packages. As from February 2008, we have introduced a facility (on a one year pilot basis) to allow employers, who have used the P11 calculator and with 9 or less employees, to send HMRC their Employer Annual Return (P14s and P35) directly from the CD-ROM via an online link. Previously they would have needed to print out the information and transfer it manually onto the forms, duplicating work and often leading to errors. This facility is expected to be a major benefit for small employers.
- b) new employer starter pack** – this is issued to all employers when they contact us to register as a new employer and has been rewritten to focus on employer tasks rather than our processes. Additionally, as a result of employer feedback, we are making registration easier by allowing new employers to register over the web. This is an alternative to the New Employer Helpline and is particularly useful for agents who often want to register a number of new employers at the same time.

- c) **prospective employer pack** – We have rewritten the prospective employer pack which is issued to all businesses that say they are thinking of becoming an employer. Containing vital information on what employers need to consider whilst they contemplate the challenge of taking on employees, it is designed to equip them with the knowledge to get them started.
- d) **responding to more complex employer queries** – We recognise that employers sometimes have to wait a long time to get answers to their more complex queries. To improve this situation we are developing a process whereby they can complete an enquiry form on the web, send this by email to HMRC and get an e-mail response within two days.

Starting to trade internationally

3.10 Gaining international customers or suppliers is an important step for a developing business, but brings with it the burden of new rules (both tax and non-tax). To help businesses navigate through this complexity, the International Trade Single Window, available on the businesslink.gov.uk website, provides comprehensive cross government guidance in one accessible place. This reduces the amount of time businesses need to spend searching for relevant information, benefiting more than 150,000 businesses in the UK.

3.11 Having the information in one place makes it easier for businesses thinking about expanding into cross-border trade to find out what they need to do. The site is currently averaging 40,000 visits per month with the most popular areas being Customs Duty and VAT liabilities along with importers' regulatory obligations.

3.12 From April 2008 the facility will be expanded to include an expert service designed for the more experienced international traders. This will include a free UK online tariff (saving the current £250 subscription fee), 40 more information guides and additional logic tools - providing businesses with a user-friendly way to search for commodity codes, associated duties and other information. Additionally an e-mail alert service will be available so that businesses get an automatic update about new additions to the site.

Chapter 4. Helping businesses to comply with their tax obligations

4.1. HMRC is committed to providing all its business customers, especially SMEs, with appropriate help and support. We have listened to customer feedback about our website and contact centres and are making improvements. We have also developed some well received targeted support in some of the more complex tax areas. This chapter describes these activities against the SME priorities outlined at paragraph 1.6.

Flexibility

Flexible Payment Options

4.2 Being able to benefit from a range of flexible payment options is a priority for many small businesses. In June 2007, we published the consultation document: *Payments, Repayments and Debt: The Developing Programme of Work*. This sought views on a balanced package of measures designed to help taxpayers pay what they owe on time, and to tackle late payment. Businesses strongly supported the option of flexible payment schemes, and suggested a number of ways these could operate. We will develop these proposals with a view to further consultation later in 2008. In January 2008 we also published draft legislation giving businesses the option to pay by credit card.

4.3 This is in addition to existing payment options such as BACS Direct Credit (including using banks' internet / telephone banking services), CHAPS, payment by Bank Giro or at the Post Office. The BillPay facility (payment by Debit Card over the Internet) is being extended to include Corporation Tax, NICs Quarterly Bills and VAT and should be available in 2008/09.

4.4 We are also developing a new system for managing payments by Direct Debit. This will offer customers who want to self-serve the opportunity to pay a range of taxes and duties online by Direct Debit, including the option of setting up a Budget Payment Plan (enabling SA customers to make regular payments towards their future liability).

Fast Resolution

Extending non-statutory clearance approach to all businesses

4.5 SMEs want certainty and fast resolution of issues as much as large businesses. And they will benefit from the extended clearance process

that will become fully operational from April 2008. This facility will be available to all businesses, providing them with clearances on particular areas, within a norm of 28 days. We have updated our website⁸ to ensure that information about clearances and approvals is easily accessible to customers.

Proactive approach

Improved service for tax agents

4.6 Improving services for agents is a key priority for HMRC. Tax agents represent some 15 million of our customers so our relationship with them is crucial in ensuring that our SME business customers get a high standard of service.

4.7 We value the contribution agents make to delivering our services, designing our processes and framing the statute within which we work. There is significant engagement between HMRC and agent representative bodies already, with enhanced consultation arrangements both locally and nationally. And through the range of different collaborative events we expect to speak directly to around 10,000 agents each year. But we recognise that we need to provide a better service for agents (and through them to our customers) so we are embarking on a programme to deliver:

- improved levels of performance for our core services;
- a better relationship with agents locally and nationally; and
- opportunities for structural and process change that will deliver long term improvements for both agents and HMRC.

4.8 Agents have worked with us to help recover our performance on VAT registration (see paragraphs 3.5-3.7) and provided assistance in addressing some of the problems that have arisen with our written and telephone enquiries. To build on this, we have introduced a number of dedicated client relationship managers (CRMs) to identify quickly any problems that agents are experiencing with HMRC service levels so that we can put measures in place to address them. And we are piloting agent dedicated helplines in our contact centres with the capacity for resolution of more complex enquiries at the first point of contact for the agent, significantly reducing the need for call-backs and the potential for delays. Both of these initiatives will be evaluated in conjunction with agents over the next few months.

⁸ <http://www.hmrc.gov.uk/cap/index.htm>

Consistency

Improving HMRC's Website

4.9 We are implementing the recommendation of Sir David Varney's report on service transformation to transfer our customer-facing online content and services to Directgov and businesslink.gov.uk (along with those of other Government departments) by 2011. In the meantime, in response to customer feedback, we are making significant improvements to our site to make it simpler and easier to use.

4.10 For example, we are creating new and radically improved content on the site. This will initially be deployed on the HMRC site and then transferred to the cross-government sites between 2008 and 2011. We are also improving web tools, such as search, to support customers more effectively. Improved search is one of the main priorities identified by customers. By mid-2008, we are looking to make search results more responsive to commonly-used search terms and implement a 'Find a Form' tool so that customers can find what they are looking for more easily.

R&D Specialist Units

4.11 In November 2006, we opened seven specialist units to deal with research and development tax credit claims for business. The role of these units is to enable companies to make the claims they are entitled to and support them through the process. Feedback from business on these units has been very positive – in particular on the pro-active approach the units have taken in identifying and supporting companies likely to be eligible under the scheme.

Taxpayers' Charter

4.12 Last year's consultation on safeguards (as part of the Review of Powers, Deterrents and Safeguards) produced widespread support for a Taxpayers' Charter. We are now developing a Charter that will set out taxpayers' rights and responsibilities in a single accessible document – reflecting the Government's commitment to ensuring that the tax system is useable and accessible for all.

Understanding business

Crisis Management – response to floods

4.13 Following the summer floods, we identified that the worst affected businesses were going to struggle to meet some of their tax

obligations. We visited some of the affected areas, along with representatives from the British Chambers of Commerce, to hear first hand from businesses what their immediate and longer term needs were. This enabled us to put in place measures to ameliorate the tax consequences and help businesses get back on their feet. For example, we helped arrange rescheduling of tax payments and gave assistance about how to reconstitute lost records.