



Delivering a new relationship with business

Reducing burdens and supporting business

April 2009

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Summary

Reducing Administrative Burdens for Business

At Budget 2009, we report further significant progress in reducing administrative burdens both against our targets and more generally. Since 2006, we have implemented or committed to new measures that will deliver administrative savings to business of around **£540 million** per annum, made up of:

- **£330 million** from reducing the burden of forms and returns;
- **£43 million** from reducing the burden of audits and inspections; and
- **£168 million** from wider administrative changes.

Highlights this year include:

- Raising the SA 'Three Line Account' turnover limit to permanently align with the VAT registration threshold from 2009-10 tax returns;
- Increasing substantially SA on-line filing: 5.8 million returns (69 per cent of total) filed online by 31 January 2009 – over 50 per cent more than last year; and
- Developing and implementing new and more proportionate ways to do our compliance checks.

Supporting Business

HMRC is committed to supporting business, particularly through these challenging times.

Highlights include:

- Allowing businesses to phase their payments via the **Business Payment Support Service** – from its launch in November 2008 through to the end of March 2009 the service has handled more than 156,000 calls leading to more than 101,000 Time to Pay agreements worth over £1.7 billion; and
- **'Real help for businesses now' campaign** – available through businesslink.gov.uk which is designed to maximise awareness about the cross-Government support available to businesses about saving money, managing finances, retaining staff and improving productivity. Since early February, over 250,000 businesses have responded to the campaign.

Chapter 1. Introduction

What this paper is about

1.1 This paper is one of a series that we publish each Budget to report progress specifically against our administrative burden reduction targets and more generally against our goal of an improved customer experience for business. This year's paper has the theme of reducing burdens and supporting business. Last year the theme was how we are improving the small and medium sized businesses (SME) customer experience.¹

Importance of small and medium sized businesses

1.2 SMEs represent 99 per cent of all businesses in the UK (around 4.7 million) and account for just over 50 per cent (c£1,400 billion) of total UK business turnover. SMEs are a significant customer group for HM Revenue & Customs (HMRC) and in 2006 they contributed to the collection of around 40 per cent of all HMRC taxes. They are also responsible for employing more than 50 per cent of the total private sector workforce.

Reducing administrative burdens for businesses

1.3 Given the current economic climate it is more important than ever that we take positive action to reduce administrative burdens on business. Administrative requirements associated with the tax system cost businesses, and especially SMEs, significant time and money. Minimising burdens frees up business resource for more economically valuable activity.

1.4 Chapter 2 of this paper updates on progress against the two administrative burden reduction targets set by the Chancellor at Budget 2006. These focus on forms & returns and audits & inspections – two areas of the tax system familiar to all businesses. We are also committed to identifying and pursuing opportunities to reduce the burden of the tax system more generally (outside of the targeted areas) and we report progress in this area too. Although all businesses benefit from this work, SMEs have much to gain as 88 per cent of the business tax administrative burden falls on this group.

¹ Delivering a new relationship with business: Progress on HMRC's plans to improve the SME customer experience, March 2008 available at <http://www.hmrc.gov.uk/budget2008/delivering-new-relationship.pdf>

Supporting businesses in the current economic downturn

1.5 We are acutely aware of the pressures businesses face when they are in financial difficulty and recognise that many are currently having difficulties managing their cash flow. We have always taken a sympathetic approach to businesses that have temporary financial difficulties in paying the tax they owe. This is why we acted quickly at the Pre-Budget Report (PBR) to introduce the Business Payment Support Service (BPSS). Businesses are offered a fast and streamlined service for arranging to pay their HMRC tax bill to a timetable they can afford. Details of the new BPSS service are included at Chapter 3 (section A) along with information about other types of flexible payment options that we offer to businesses. The BPSS was just one element of a broader package of Government support announced at PBR to help business through the economic downturn.

1.6 As well as providing tangible help with cash flow, we also recognise that small businesses need to be able to find information about how to comply with their tax obligations as quickly and easily as possible. In Chapter 3 (section B) we explain how we are improving the education and guidance we provide for businesses and how we are working with other Government Departments to provide joined-up help for those businesses struggling in the current economic climate. Chapter 3 (section C) provides an update on our programme to improve the services we provide to, and the working relationship we have with, tax agents.

1.7 Chapter 4 updates on some other developments, including our work to develop an HMRC Charter and the cross-Government project we are involved in looking at opportunities to reduce the burdens associated with International Trade.

Chapter 2. Reducing administrative burdens

2.1 Reducing administrative burdens for business continues to be one of HMRC's top priorities. We are committed to achieving the targets set by the Chancellor at Budget 2006 and also to making changes in areas that will make a noticeable difference to business.

2.2 In identifying issues that matter to business, we continue to work closely with the externally chaired Administrative Burden Advisory Board (ABAB). The Board provides us with invaluable advice and gives us robust feedback about how HMRC processes and services are being experienced on the ground. Last year ABAB was recognised by the National Audit Office (NAO) as an example of best practice in engaging with business to identify areas for administrative burden reduction.²

Reducing administrative burdens – an update on progress

2.3 In 2005 we carried out research³ to model the administrative burden imposed on business by the UK tax system. The burden was estimated using the Standard Cost Model (SCM). This found that the total administrative burden placed on business by the UK tax system is approximately £5.1 billion a year. Based on this research, we have two specific administrative burden reduction targets to achieve by 2010-11:

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).

2.4 We are also committed to reducing burdens outside the two targeted areas wherever we can. **At Budget 2009, we can report that, both against our targets and more generally, we have implemented or committed to new measures that will deliver administrative savings to business of around £540 million per annum.** We know from the feedback received from ABAB and

² National Audit Office, The Administrative Burdens Reduction Programme, 2008 available at http://www.nao.org.uk/publications/0708/administrative_burdens.aspx

³ The results of this research are available at <http://www.hmrc.gov.uk/better-regulation/kpmg.htm>

elsewhere that although the numbers are important, what really matters to business is how individual changes will impact on them. In the rest of this chapter we explain the progress we have made against each of the targets and highlight some of the specific initiatives that we are introducing.

A: Reducing the burden of forms and returns

2.5 We target 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.

2.6 Our approach on forms and returns has been to examine critically the information we collect to ensure that we are only imposing burdens that are proportionate and necessary for efficient collection of our business taxes. For example, on Income Tax Self Assessment (SA) for the self-employed, we have already reduced the information requirements on certain returns by raising the 'Three Line Account' turnover limit from £15,000 to £30,000 from April 2008, and by introducing a new 'short' 2-page self-employment supplementary page which asks for less information than the 'full' 5-page version.

New initiatives to reduce the administrative burden of forms and returns

2.7 At Budget 2009 we announce that we are going a step further and raising the SA 'Three Line Account' (TLA) turnover limit to permanently align with the VAT registration threshold for the self-employment, trade and UK property pages, or sections, from the 2009-10 Main Tax Return, Short Tax Return and Partnership Tax Return. Qualifying businesses will still need to keep proper records but they benefit because it will take them less time to complete the forms; and more importantly they will be able to use simpler procedures to keep running totals for tax purposes.

2.8 Latest available data (2006-07) for the self-employment pages show that 85 per cent of the 3.8 million completed forms would be eligible to be completed as a TLA under the new limit. For the UK property pages, the proportion is higher – 98 per cent of the 1.4 million forms completed in 2006-07 would qualify under the new limit. This means a significant majority of the SA business population will be able to benefit from simplified reporting. This change will deliver administrative burden savings of an estimated £54 million per annum.

2.9 We also announce that **from 6 April 2009 we have reduced the number of occasions when employers need to complete form P46 (CAR)**. Before this, employers had to let us know about all changes they made in year to the provision of company cars to their employees. They also had to provide the same information at the end of the year on the 'expenses and benefits' P11D form. From 6 April 2009, an employer will not be required to send in a P46 (CAR) when one car is replaced with another. This change will save employers time in-year and reduce their administrative burden by an estimated £1 million per annum. Further detail about this change can be found on our website.⁴

HMRC online services

2.10 Where it is not always possible to reduce information requirements we recognise that well designed online services can make a real difference, helping to reduce the burden of providing that information to us and also increasing timeliness, accuracy and confidence levels. In line with Lord Carter's recommendations for increasing use of HMRC's key online services, we are aiming for universal electronic delivery of the main tax returns from businesses and IT literate individuals by 2012.

2.11 We have continued to invest heavily in our online services to ensure they are robust and thoroughly tested. We have made good progress but we know some of the changes have caused frustration to businesses because of the scale of the change and the lack of familiarity. We have worked closely with commercial software manufacturers and tax agents to help deal with the transitional issues and ensure that agents can file online easily.

2.12 **This year's Self Assessment (SA) peak was a great success with over 5.8 million returns (69 per cent of the total) filed online by 31 January 2009 – over 50 per cent more than last year.** Other improvements this year have included simpler and more tailored online forms, online validation of figures and immediate on-screen acknowledgement of receipt.

2.13 We have also added a **new facility to the Employers CD-ROM** (particularly popular with small and micro employers) to allow micro employers to file their end of year returns directly from saved calculator data avoiding an unhelpful transcription task and minimising the scope

⁴ Details about changes to submission of Form P46 (CAR) can be found at <http://www.hmrc.gov.uk/payereporting-carbenefit.htm>

for error. This facility was welcomed by employers and will be available again in future years.

2.14 Overall, on forms and returns, we have implemented or committed to new measures that will deliver net⁵ administrative savings to business of around £330 million per annum. Annex A lists the measures that contribute to this amount. This is very welcome progress but we cannot be complacent. We know that in the next two years there will be some new measures that increase burdens, for example, changes to Customs procedures to help counter global terrorism. These changes are being introduced for good reasons but the associated administrative burden increases will need to be offset. So we will continue to pursue opportunities to reduce burdens further and be vigilant to the risks of increases. One particular area that we will be examining is whether we can stream-line the processes and forms associated with businesses deregistering from HMRC.

B: Reducing the burden of audits & inspections

2.15 Although audits and inspections (compliance checks) form a relatively small part of our overall administrative burden baseline they can have a significant impact on businesses, including the uncertainty and emotional burden associated with the process. As we reported last year we have already delivered estimated savings of £43 million against the Standard Cost Model (SCM) measured target. Because the SCM does not fully capture the aspects of compliance checks that cause businesses most concern, our focus since then has been on delivering the supplementary measures we announced at Budget 2008. These are designed to reduce burdens for those businesses that comply and want to comply by encouraging HMRC compliance staff, for example, to focus on the need for timeliness and to provide greater certainty earlier in the process.

2.16 We aim to deliver by March 2011:

- *15 per cent reduction in time spent on auditing and inspecting businesses found to owe HMRC less than £1000⁶*

2.17 Our baseline year for this measure is 2007-08 when we completed 483,000 compliance checks taking on average 7.6 weeks per

⁵ Net administrative savings reflects all measures which decrease burdens offset by any measures which increase burdens

⁶ This covers businesses served by HMRC's Local Compliance Directorate

case. Data available to the end of February 2009 indicates a net saving of around 6 per cent in the total aggregate time spent on carrying out compliance checks for those customers making small errors or no errors at all, compared with our performance at the same point in 2008. We are doing fewer checks overall, but we have also reduced the average amount of time we spend on these cases, particularly for the types of compliance check which we know businesses find the most burdensome. For example, we have reduced the amount of time we spend on traditional Corporation Tax and Income tax enquiries by 11.3% and 4.7% respectively.

Managing compliance and reducing burdens

2.18 As part of our customer-focussed approach to compliance, over the past year, we have been developing new and more proportionate ways to run our compliance checks. These have included:

- **using an 'Openness and Early Dialogue' approach** to test out whether openness about risks and an early discussion of those risks can reduce the time spent on individual compliance checks. Where an intervention is required, we set out clearly the reasons for it and encourage the customer to help us resolve the issues quickly to agreed timescales. Early indications are that where we adopt the 'openness' approach, the time taken to resolve compliance checks is significantly reduced and we have also had positive feedback from those customers experiencing it. In view of the good results, we are implementing the approach in more areas of HMRC from April 2009;
- **sharing an HMRC perspective of risk and common errors with agents** to help them improve their pre-return processes, shifting the emphasis towards helping customers get their returns right in the first place rather than on compliance checks after an error has been made. We intend that this approach be based upon a series of HMRC products, updated regularly, that agents can voluntarily use, each covering particular risks within a tax or a tax in its entirety. These products will also be accessible by un-represented businesses and individuals. We will be launching a series of test products in the next 3 months covering Capital Gains Tax for Trusts, Marginal Small Company Relief and Capital Allowances (plant and machinery);
- **introducing simple compliance checks for straightforward issues** identified on returns when we receive them, with these

checks carried out by focussed interventions rather than by a full compliance check – saving both businesses and HMRC time;

- **reducing the burden of employer compliance checks** – responding to business customer feedback that this is one of the most burdensome areas, we have invested resource in developing better risk analysis systems and we will be piloting a new standard approach to employer compliance from June this year; and
- **trailing the use of General Tax Practitioners** (HMRC officers trained in direct, indirect tax and employer compliance) or teams of experts (depending on the size of the business) carrying out a single integrated compliance check rather than separate checks for each regime. This means that customers subject to checks by our General Tax Practitioners will only have to get their books and records out once, only have to provide information once, and that there will be consistency in approach across the taxes to any particular issue. If successful the initiative will be introduced to other areas of our work.

2.19 During 2009-10 these new ways of working should start to deliver noticeable changes to the way that we deal with SMEs and compliance, helping to reduce both administrative and emotional burdens for those that comply and want to comply.

2.20 As well as focussing on new approaches to compliance, we also recognise that how we go about our compliance work is as important. Demonstrating an understanding of business needs, along with the clarity and tone of our communications, are important factors in how customers perceive the burden of compliance checks. In these areas, we are taking forward a number of initiatives including:

- **improving the tone and clarity of the standard letters we send** through a programme of review and revision. We will actively seek to use the lessons learnt from this revision process to influence the tone and clarity of non-standard letter communication also;
- **developing better customer understanding** by giving compliance staff the opportunity to think about the compliance check process from the business perspective through a programme of 'customer focus' workshops. ABAB members have supported these events and by the Summer over 50 per cent of Local Compliance staff will have attended one; and

- **improving our understanding of the compliance check process from the business perspective** through external research. We will be using the results of this research to help drive further improvements in the way we conduct our compliance checks in the coming year.

Reducing burdens of audits and inspections for large businesses

2.21 For businesses served by our Large Business Service (LBS) we aim to deliver:

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 per cent 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 per cent
 - 2009-10 – 75 per cent
 - 2010-11 – 80 per cent

2.22 During the course of 2008-09 we have continued to develop the risk framework that we launched in 2007. This work has clarified the approach we will take to businesses that benefit from a low risk relationship with us ('low risk' businesses) and our approach to non 'low risk' businesses.

2.23 **Efficient risk-based approach:** at 31 March 2009, 38 per cent of the very largest businesses served by LBS were considered to have a low risk relationship with us. These relationships have been developed through openness and trust, leading to much more proportionate engagement.

2.24 **Speedy resolution of issues:** we continue actively to manage issues for our LBS businesses by putting in place action plans, agreed with the business, detailing the time frame in which issues will be resolved: 82 per cent of open issues currently have an action plan in

place. At the end of March 2009, 68 per cent of issues that were over 18 months old have now been settled or have entered litigation.

2.25 For those large businesses served by our Local Compliance Directorate we are developing an improved risk assessment process. Customers can expect a level of interaction proportionate to risk and, for those that warrant a Customer Relationship Manager, we will work with them to become low risk. A pilot is in progress to explore options on the use of single points of contact for those large businesses that do not have a Customer Relationship Manager. We are also making progress in reducing the amount of time spent in resolving low risk and older issues.

New penalties regime

2.26 Our customer-focussed approach to compliance is supported by the new penalties regime which takes effect for tax returns due from 1 April 2009. We are introducing a simpler and more consistent penalty system for inaccuracies across our main taxes. Under the new system if businesses take reasonable care to get their tax right, we will not penalise them, even if they make a mistake. Most businesses take care to fill in their tax returns correctly and we want to encourage that. We use penalties to stop businesses that don't take care from gaining an unfair advantage. Where businesses 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.

2.27 Taking reasonable care includes:

- keeping accurate records to make sure tax returns are correct;
- checking what the correct position is when businesses don't understand something; and
- telling us promptly about any inaccuracy discovered in a tax return or document after it is submitted.

2.28 We have provided a range of advice and support to prepare businesses and our own staff for this significant change. We developed technical and operational guidance in conjunction with external readership panels and have produced material to educate businesses about how to take care to avoid a penalty. We have an online learning module and a simple summary to help businesses understand how the new penalties will affect them. These products are all available on our website.⁷ We know that it is important for businesses that HMRC

⁷ Details of the support available on new penalties can be found at <http://www.hmrc.gov.uk/about/new-penalties>

applies these penalties fairly and consistently. We have launched self learning modules and face-to-face training for our staff. In all, some 18,000 HMRC staff will need to undertake training before they are allowed to use the new powers and this training is well underway.

C: Reducing other administrative burdens

2.29 As well as working towards our two specific administrative burden reduction targets we identify and pursue opportunities to reduce the wider administrative burden of the tax system on business. As at Budget 2009 we have implemented or committed to new measures that will deliver net annual administrative savings to business of around **£168 million** in addition to progress in the two target areas. The measures that contribute in this wider category are included in Annex B. These measures include the reforms we have made to capital allowances (one of the Administrative Burdens Advisory Board's original priority areas for action).

Annual Investment Allowance

2.30 As we have reported previously, Budget 2007 announced a package of reforms to modernise and simplify Capital Allowances. One of the most significant elements of this became available to businesses from April 2008: the Annual Investment Allowance (AIA).⁸ This is a 100 per cent tax allowance which allows a business to deduct the whole cost of any plant or machinery they buy (apart from cars) from their taxable profits, up to an annual amount of £50,000. This reform not only reduces administrative burdens by an estimated £13 million per annum but also acts as an investment aid for over 2.4 million UK businesses and is available to businesses regardless of size or legal form.

2.31 In addition, a companion measure relating to small plant and machinery pools was introduced at Budget 2008 (also effective from April 2008) in response to comments made by business in consultation on the new AIA.⁹ This allows businesses investing in plant and machinery, particularly small and micro businesses, to claim an allowance of up to £1000 on any small historic pools of unrelieved expenditure or any small pools that may arise in the future. This is in addition to the relief available through the AIA and reduces burdens for business by an additional estimated £5.5 million per annum. Businesses will no longer have to keep records of small pools and

⁸ Further information on this allowance is available at <http://www.hmrc.gov.uk/budget2008/bn12.pdf>

⁹ Detail on this allowance is available at <http://www.hmrc.gov.uk/budget2008/bn15.pdf>

calculate writing down allowances on very small balances for many years, as would have been required under the old rules.

Chapter 3. Supporting business

3.1 SMEs are the lifeblood of the economy and we are committed to supporting them through these challenging times. The Government introduced a substantial package of measures at the 2008 Pre-Budget Report (PBR) to help support business, including measures to address cash flow, credit and investment needs. This chapter sets out how HMRC is contributing support by helping businesses manage their cash flow and by addressing business information needs. It also includes an update on the support we are providing to tax agents.

A: Managing cash flow and payment

Business Payment Support Service (BPSS)

3.2 Although we have always taken a sympathetic and flexible approach to businesses facing temporary financial problems we moved quickly to enhance this support with the launch of the BPSS in November 2008.

3.3 This fast and streamlined service helps otherwise viable businesses in temporary financial difficulties to arrange to pay their tax bill to a timetable they can afford. We also offer further practical help by not imposing additional surcharges on the tax within a Time to Pay arrangement. Interest will continue to be payable on those taxes where it applies. Entering into a Time to Pay arrangement with us will not affect a sub-contractors gross payment status for the purposes of the Construction Industry Scheme.

3.4 The dedicated phone helpline takes calls seven days a week and is aimed at all businesses, small and large, including self-employed individuals. It covers most taxes and duties including Income Tax, Corporation Tax, VAT, PAYE and National Insurance. In the majority of cases we can agree a Time to Pay arrangement within 10 minutes. Some businesses have larger or more complex affairs and where it may not be possible to deal with the matter with one phone call we undertake to get back to them with a decision within 4 working days.

3.5 The response to the service from our customers and the media has been very positive, and we know many businesses have been grateful for the breathing space. At the end of March 2009 the service has handled more than 156,000 calls leading to more than 101,000 Time to Pay agreements worth over £1.7 billion.

Flexible Payment Options

3.6 We know that being able to choose from a range of flexible payment options is a priority for many small businesses and helps them avoid getting into debt.

3.7 Businesses can now manage payments of all major taxes and duties by **Direct Debit** - and they can set this up easily through our online services. Debit cards can also be used for multiple payments of different taxes and duties in a single transaction. Previously this would have meant providing card details for each tax and period separately. Credit cards can now be used to make payments and, like debit cards, they can be used through our online services.

3.8 We already have a facility that allows SA customers to set up a **Budget Payment Plan** to make regular payments towards their future liability. SA Budget Payment Plans, and the associated direct debits, can be set up online through the SA gateway ("self serve") and we are developing the facility, which we expect to be available by 2011, to allow companies to do the same for Corporation Tax.

3.9 We recently consulted on a different type of payment instalment scheme (Managed Payment Plan) which we plan to introduce by 2011. In this scheme half of the tax would be paid by the due date and half would be paid after it. This would allow CT and SA payers to make regular monthly payments which straddle the payment due dates.

B: Providing education and guidance

3.10 We recognise that good quality education and guidance are important factors in helping businesses, especially SMEs, to understand what they need to do to comply with their tax obligations and how to do that as easily as possible. We are pleased that The Anderson Review¹⁰ found that HMRC is consistently mentioned by SMEs as a department that provides good guidance. Despite this positive and welcome feedback, we know there is scope for improvement.

3.11 We are implementing the recommendations from the Anderson Review. For example, we will include '**Quick Start guides**' in all our new guidance products highlighting the types of business to which it applies and the essential actions they need to take to comply with it. We also plan to increase awareness of, and access to, available

¹⁰ The Anderson Review: The Good Guidance Guide: taking the uncertainty out of regulation <http://www.berr.gov.uk/files/file49881.pdf>

guidance and support. We want to move increasingly to a situation whereby business customers can find the information they need, for themselves, on the web.

3.12 For example, the current 'Tax for Business' web-based marketing campaign¹¹ aims to educate businesses about the tax basics. It was accessed by over 125,000 people in the first six weeks of its launch in February 2009.

tax doesn't have to be taxing



3.13 This campaign is designed to allow businesses to dip their toes into the world of tax and get started with our bite-size videos. The videos explain the basics to help businesses that are setting up, to get their tax right. Annex C lists the products available in the HMRC video library. Other services that businesses can access through the 'tax doesn't have to be taxing' website include:

- register your new business with HM Revenue & Customs;
- see a demo of our online services;
- events and workshops to help you get your tax right;
- what you need to know about avoiding penalties, keeping records and controlling finance; and
- PAYE online help for employers.

HMRC web transformation

3.14 We have also been making improvements to our own website www.hmrc.gov.uk. We have developed new guides on VAT, Corporation Tax, Capital Gains Tax, PAYE and Expenses and Benefits. These make it easier for businesses to find the information that is most relevant to them and better understand their tax obligations. A number of tools and calculators have been created including the Find a Form Tool that makes it easier for businesses to access the tax forms they might need

¹¹ The Tax for Business campaign can be accessed at www.businesslink.gov.uk/taxhelp

to complete. Other tools include: finding the right VAT scheme, PAYE tax calculator and National Insurance calculator. The new content is progressively being converged onto businesslink.gov.uk enabling businesses to access all the information they need without leaving the businesslink.gov.uk site. In future, businesses will be able to log in at businesslink.gov.uk to seamlessly complete HMRC transactions (e.g. online filing of Self Assessment, PAYE, VAT and Corporation Tax), saving time and improving the customer experience.

[Businesslink.gov.uk](http://businesslink.gov.uk)

3.15 HMRC is responsible for developing businesslink.gov.uk as a single access channel, to bring together all business-related information, tools and transactions from 19 Government departments by 2011. There are now more than 1 million visits each month to the website and we anticipate that this number will increase dramatically over the coming year as we add more services. In the most recent customer survey, 92 per cent of users rated the site as good, very good or excellent. We are also using the website to promote the cross-Government support available to business during these challenging times – notably the ‘Real help for businesses now’ initiative.

Real help for businesses now

3.16 This campaign and service is designed to maximise awareness about the help that is available from a variety of sources (including HMRC, BERR, DIUS, DEFRA and RDAs¹²) providing information about saving money, managing finances, retaining staff and improving productivity. It also provides clear signposting to HMRC’s Business Payment Support Service. We aim to encourage take-up by bringing the information together in one place. The ‘Real help for businesses now’ site is accessed via businesslink.gov.uk.

3.17 This provides easily accessible information about the following subjects:

- How can I save money?
 - Get a health check for your business
 - Reduce waste and save energy
- Can I find help with my finances?
 - Find out about action for business

¹² HM Revenue & Customs; Department for Business, Enterprise & Regulatory Reform; Department for Innovation, Universities and Skills; Department for Environment, Food and Rural Affairs; Regional Development Agencies

- Find financial support for your business
- Help with managing your cash-flow
- Need more time to pay your tax bill
- How do I find help to keep staff on and improve productivity?
 - Find funding to support your training and skills development
 - Find out about training, recruitment and redundancy
 - Find out about alternatives to redundancy
 - Help to deal with staff restructures and major changes

3.18 Since early February over 250,000 businesses have responded to the campaign.

3.19 We continue to improve the businesslink.gov.uk site to make it easier for businesses to access the information they need. For example last year we launched free online access to the UK Trade Tariff (saving businesses the £250 they had to spend on a paper copy). We have added cross-Government material for employers about how to deal with maternity, paternity and adoption issues and taking on new employees. Our 'National Minimum Wage Calculator' (NMW) tool helps employers check that they understand the new NMW rules and are paying the right amounts to their staff.

3.20 Users can now access the Companies House 'WebCheck' service, which allows businesses to access and search publicly available company information, and Transport Office Portal transactions. New content for Tax Agents and Freight Forwarders represents the first steps towards creating enhanced services for professional advisers. Sector specific guidance relating to transport and farmers provide the cornerstone of a new sector-based area of the site located under 'Your Business Sector'.

Improving the way we communicate with businesses

3.21 When making changes to the tax system we recognise the importance of timely and targeted communications in language that can be easily understood by those affected. We know that this is particularly important for SMEs because they do not have the resources to check through lots of tax-related information. We are taking a number of separate initiatives in this area.

3.22 **SME Partnership Channels:** we know that a lot of SMEs rely on trade and representative organisations as their prime sources of information, including about tax changes. We are tapping into these established channels by setting up partnerships with interested SME representative and other organisations so that they can carry

information for us about certain tax changes or deadlines. This allows us to get communications directly to those SMEs that need to know about them, through their established lines of communication (i.e. websites, TV, newsletters & magazines).

3.23 VAT Rate Change: we also tailor our communications to specific tax changes. For example, at the 2008 PBR when the Chancellor announced the temporary reduction in the standard rate of VAT from 17.5 per cent to 15 per cent from 1 December 2008 we recognised that our priority (in HMRC) was to help the 2 million VAT-registered businesses understand what changes were required and how to make the necessary changes in time.

3.24 Rather than rely solely on web-based guidance, we wrote to all VAT-registered businesses with a Simple Guide which explained what they needed to do, when and how. At the same time we published more detailed guidance on our website which we kept updated as new issues emerged. We increased the capacity and availability of our VAT contact centre which consequently coped well with the increased demand for information. We also ensured that all large businesses with a Customer Relationship Manager were contacted quickly and offered assistance with implementation. Coupled with this, we announced a 'light touch' in relation to errors resulting from change of rate issues which are made in the first VAT return after the change. Business feedback to this approach has been very positive.

C: Support for Agents

3.25 Our relationship with agents remains vitally important. Not only do we value their contribution to delivering the HMRC services to businesses but we also share the common goals of delivering better customer service, improving compliance and cutting unnecessary costs.

3.26 Over the past year all of our contact centres which deal with PAYE and SA have introduced Agent Dedicated Help Lines. This tailored service has been well received and has reduced the need for secondary contact which many agents had experienced previously.

3.27 In association with the six main accountancy representative bodies we ran a number of consultation events across the country to discuss a range of changes being planned in HMRC. This engagement will help us to introduce changes with a clear understanding of the impact on business.

Chapter 4. Other Developments

4.1 This chapter provides an update on some other developments that will be of interest to our business customers and invites ideas and suggestions for where and how we should do more to reduce burdens and provide support. Firstly, we include our plans to develop a Charter and secondly we provide an update on some cross-Government work looking to reduce the burden of international trade.

HMRC Charter

4.2 In January 2008, we began the process of developing a Charter to set out both taxpayer rights and responsibilities in a single accessible document. The Charter is an attempt to articulate in plain language the rights and obligations of customers in relation to their affairs with us, making such information more accessible and understandable.

4.3 The first consultation on the scope of the Charter was completed in September 2008 with an overwhelming view that the Charter should be succinct (one page) and address:

- the role of HMRC
- what people can expect from HMRC
- what HMRC expects from the public; and
- how to access information from HMRC.

4.4 We are now carrying out our second consultation, focusing on the draft content of the Charter. This consultation runs to 12 May 2009. Further information about how you can contribute to the consultation can be found on our website.¹³

Simplifying international trade

4.5 In the 2008 PBR, the Chancellor announced a Trade Regulation Work Programme to review the costs for business in complying with international trade regulation. A cross-Government project, led by BERR and HMRC, has been set up to undertake this review. The main objectives of the review are to:

- identify compliance costs to business from international trade regulation that could be reduced or cut out altogether;
- deliver real improvements to the international trading environment in the UK; and

¹³ Charter Consultation Website <http://charterconsultation.hmrc.gov.uk>

- set out a practical course of action (an action plan) that will make trade with the UK easier.

4.6 Consultation with business is an important part of the review process and the first phase has already been launched. Further consultation is underway running up to May 2009. A final version of the action plan is scheduled to be published alongside the 2009 PBR and will incorporate consultation feedback and responses from international trade businesses, associations and other organisations.

Your ideas and suggestions

4.7 Reducing burdens for business continues to be one of our top strategic priorities. We will continue to work on this programme in conjunction with the Administrative Burden Advisory Board (ABAB). 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 for business. We will continue to seek out and pursue opportunities to reduce burdens in areas that are priorities for business.

4.8 We would also like to hear about your ideas. If you would like to suggest a change to a form or process that would make running your business easier please let us know. Although we have a limited budget to make changes we do look carefully at viability and potential benefits of any suggestions we receive. The simplest changes often give the greatest benefits so please get in touch with your ideas by using the feedback page on our website, available at <http://www.hmrc.gov.uk/better-regulation/feedback.htm>.

Annex A: Forms and returns – contributory measures











Benefits to small and new business (net estimated savings of £113 million)
<ul style="list-style-type: none"> • <i>VAT 1 – VAT registration application</i> – a redesigned form, coupled with improved guidance
<ul style="list-style-type: none"> • <i>VAT annual accounting scheme</i> – the upper threshold for the scheme was doubled in April 06 to £1.35 million meaning more than 1.1 million businesses were eligible
<ul style="list-style-type: none"> • <i>Abolition of the zero per cent and non-corporate distribution rates of Corporation Tax</i>
<ul style="list-style-type: none"> • <i>Intrastat</i> – increased threshold in Jan 07 removing intrastat requirement for 2300 small businesses
<ul style="list-style-type: none"> • <i>VAT Flat Rate Scheme (FRS)</i> – increased take up of FRS to 180,000
<ul style="list-style-type: none"> • <i>SA</i> – raising the three line account threshold to align permanently with the VAT registration threshold
<ul style="list-style-type: none"> • <i>SA</i> - doubling the payment on account threshold to £1000 from April 2009, simplifying the payment system for 320,000 businesses
<ul style="list-style-type: none"> • <i>Excise</i> – de minimis level for biofuels.
Benefits to employers (net estimated savings of £51.5 million)
<ul style="list-style-type: none"> • <i>Form 42 – employee share schemes</i> – removing the need for 90% of new companies to complete this form
<ul style="list-style-type: none"> • <i>Ending payment of Working Tax credits via employers</i>
<ul style="list-style-type: none"> • <i>New Form P46 and coding improvements</i>
<ul style="list-style-type: none"> • <i>Improved statutory payment calculators and interactive P11 working sheet</i>
<ul style="list-style-type: none"> • <i>PAYE</i> – removing requirement for signature on remittance slips and accepting notification of a nil liability by phone or 'e' rather than by a form.
Regime changes (net estimated savings of £124 million)
<ul style="list-style-type: none"> • <i>New Construction Industry Scheme</i>
<ul style="list-style-type: none"> • <i>Simplified Pensions Tax regime</i> (including increased flexibility for trivial commutation payments)
<ul style="list-style-type: none"> • <i>Deregulation of the alcohol and tobacco industry</i> – removing or simplifying a range of provisions
<ul style="list-style-type: none"> • <i>Introduction of Real Estate Investment Trusts</i>
<ul style="list-style-type: none"> • <i>CGT Reform</i>
<ul style="list-style-type: none"> • <i>Trust modernisation</i> – less SA Trust returns required
<ul style="list-style-type: none"> • <i>ISA reform</i>: annual statistical reporting rather than quarterly
<ul style="list-style-type: none"> • <i>Capital allowances</i> – tax relief for business expenditure on cars
<ul style="list-style-type: none"> • <i>Managed service companies</i> – anti-avoidance legislation
<ul style="list-style-type: none"> • <i>Business Reply Envelopes</i> – removal of pre-pay facility
<ul style="list-style-type: none"> • <i>Energy Products Directive</i> – private boats and planes – expiry of derogation
<ul style="list-style-type: none"> • <i>CT: Revision of CT 41G</i> - Registration of liability to Corporation Tax
<ul style="list-style-type: none"> • <i>Reform of Air Passenger Duty</i>
<ul style="list-style-type: none"> • <i>VAT</i>: Simplification of partial exemption.
More Online (net estimated savings of up to £17 million)
<ul style="list-style-type: none"> • <i>Carter programme</i> – online filing
<ul style="list-style-type: none"> • <i>Electronic direct debit (VAT)</i> – increased take up
<ul style="list-style-type: none"> • <i>EC Sales List online filing</i>

<ul style="list-style-type: none"> • SDLT 'E' Channel • Excise: Introduction of online Alcohol and Tobacco Warehousing Declarations
<p>International Trade changes (net estimated savings of up to £10 million)</p> <ul style="list-style-type: none"> • Abolition of the need for Form EUR 2 for low value consignments (certificates to support tariff preferences) • Removal of requirement for an importer's statement in support of preference claims • EU transit arrangements (E-transit) – removal of requirement to present transit declaration at each office of transit • Improving supply chain security – introduction of Approved Economic Operators Scheme • Introduction of E-tariff • Import valuation declarations- reduced requirement, only call for one on risk basis • VAT: Reform of 8th Directive VAT Refund Scheme • VAT: VAT Package – changes to EC Sales Lists
<p>Reducing burdens of SDLT (net estimated savings of £15 million)</p> <ul style="list-style-type: none"> • Introducing notification threshold for SDLT return of £40,000 • Removal of self-certification (SDLT 60) from March 09 • Eliminating problem transactions with SDLT returns • Introduction of Automated Registration of Title to Land in Scotland

Annex B: Reducing other administrative burdens – contributory measures

Other measures (net estimated savings of £168 million)
<ul style="list-style-type: none"> • Capital Allowances: Introduction of the Annual Investment Allowance • Capital Allowances: Relief for small plant and machinery pools • Capital Allowances: Abolition of Industrial Buildings Allowance and Agricultural Buildings Allowance • Stamp Duty simplification: exemption from tax for transactions of not more than £5 • Climate Change Levy: Simplification of Climate Change Levy Accounting documents • ISA Reform: relaxation in rules about retaining ISA applications • VAT: simplifying record keeping requirements for transfers of a going concern • VAT: changes to treatment of some medical services • VAT: changes to speed up and streamline the VAT partial exemption special method approval process • New Construction Industry Scheme • Introduction of stamps on spirits bottles to help combat fraud • Simplified Pensions Tax regime • Ending of payment of Working Tax credits via employers • Deregulation of the alcohol and tobacco industry • Removal of the zero per cent rate of Corporation Tax • Capital Allowances – tax relief for business expenditure on cars

Annex C: HMRC video library¹⁴

	<p>Welcome - setting up in business</p> <p>Find out about the different types of business you can set up - a self employed stunt man and a mountain bike limited company explain more.</p>
	<p>Income Tax - for the self employed</p> <p>What happens with income tax when you work for yourself? A self employed web designer goes through the basics.</p>
	<p>Corporation Tax</p> <p>If you decide to set up a limited company you need to know about corporation tax. A hair extension business owner discusses the lengths she went to</p>
	<p>Keeping Records</p> <p>A performance artist tells us why keeping good records is key to being in control of your business.</p>
	<p>VAT</p> <p>An intriguing company talks us through the basics of VAT.</p>
	<p>National Insurance</p> <p>What do you do about national insurance if you work for yourself? A tattoo artist and a uniforms supplier explain it.</p>
	<p>Employing Other People</p> <p>Want to grow your business and take on staff? A gardening business sums up what you need to know about the tax side of it.</p>
	<p>Importing and Exporting</p> <p>Buying or selling products outside the European Union? A flower importer explains about import duty and VAT.</p>
	<p>Business Allowances</p> <p>An introduction to deductions, reliefs and allowances that can help reduce how much tax you pay.</p>
	<p>Construction Industry Scheme</p> <p>Find out what work falls under this scheme and the special tax rules and regulations for contractors and subcontractors.</p>

¹⁴ Videos can be watched directly from www.businesslink.gov.uk/taxhelp