



Delivering a new relationship with business

Reducing burdens and helping businesses get it right

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Contents

	Page
Summary	4
Chapter 1 Introduction	5
Chapter 2 Driving down business costs	7
Chapter 3 Helping businesses get it right	13
Chapter 4 Supporting Agents and Employers	15
Chapter 5 Improved Online services	17
	21
	22

Summary

Reducing Administrative Burdens for Business

At Budget 2010, we report further progress in reducing administrative burdens. Since 2006, we have implemented or committed to new measures that will deliver administrative savings to business of:

- **£564 million** per annum overall; including
- **£344 million** from reducing the burden of forms and returns; and
- **£42 million** from reducing the burden of audits and inspections.

Supporting Business and their Agents

HM Revenue & Customs (HMRC) is committed to supporting businesses, directly, or through their agents. Highlights this year include:

- helping businesses get their tax right by delivering improvements to the **Tax Help pages on businesslink.gov.uk**, including new educational products designed to assist and guide customers through various life stages of their business. The new products provide the right information to our customers at the right time;
- continuing to allow businesses to make payments by instalments through the **Business Payment Support Service** and the **Budget Payment plans** for Self Assessment (a more flexible way of paying SA by Direct Debit online);
- re-launching **Working Together** (a joint forum for tax advisers and HMRC) and the introduction of **new toolkits to help agents reduce errors**; and
- delivering new **online services for VAT and CT** including the adoption of a **common filing format**, by HMRC and Companies House, **for company accounts**.

Chapter 1. Introduction

1.1 This paper continues the series that HMRC publishes each Budget to report progress against our administrative burden reduction targets and provide updates on our other work to make the tax system easier for businesses to deal with.

1.2 We know that the majority of businesses are honest and do their best to comply with their tax obligations. But we also understand that some businesses, particularly new businesses starting up, need our help to understand these obligations and how to meet them. We seek to provide timely and tailored information, education and advice; and we are working with key partners to make that support more visible and accessible, particularly to Small & Medium Enterprises (SMEs).

1.3 A cornerstone of our support for SMEs is improved online services. The refreshed Tax Help section of businesslink.gov.uk now provides access to a range of interactive tools and clear information. We want to build on this to provide earlier and better targeted education for those who need our help and advance notification to all businesses about changes that affect them. As part of this approach, HMRC will develop a start-up area on *Businesslink.gov*, for launch in 2011, that will provide a personalised entry point to improved guidance and tools for new businesses and employers.

1.4 We also recognise that many businesses are still experiencing cash flow pressures. We continue to offer a range of flexible payment options, as well as – through our Business Payment Support Service - a streamlined service providing time to pay for viable businesses experiencing temporary financial difficulties. We are also expanding our range of payment plans which customers can use to manage payment of their tax liabilities.

1.5 We continue to work to improve our relationship with tax agents who we recognise make a vital contribution to supporting businesses. The expanded Working Together initiative has recently introduced a number of new dedicated services for agents.

1.6 Later sections of the paper provide more detailed updates on our work in each of these areas.

Chapter 2. Driving down business costs

2.1 Reducing costs for businesses continues to be an HMRC priority. We are committed to achieving the administrative burden targets set by the Chancellor at Budget 2006 and the new administrative burden reduction target, to reduce the whole business tax baseline by *at least* 10 per cent by March 2011, published in the 2009 HMRC Business Plan.

2.2 The Administrative Burdens Advisory Board (ABAB) has brought a sharp external focus to this work, providing a challenge function and ensuring that we concentrate on issues that will make a noticeable difference to businesses. We are very grateful for the support of ABAB and will continue working with them on this important agenda.

Reducing administrative burdens

2.3 The administrative burden of tax legislation on business was calculated in 2005 using the Standard Cost Model (SCM). This found that the total administrative burden placed on business by the UK tax system was approximately £5.1 billion a year. We have three specific targets to reduce this burden by March 2011:

- to reduce the overall administrative burden which the UK tax administration imposes on UK businesses by at least 10 per cent (equivalent to a total reduction of £510 million);
- 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); and
- 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 continue to make good progress against these targets despite new challenges faced over the last year. Some measures to help address the economic downturn, to meet our obligations under EU law, and new Customs procedures to counter global terrorism have all brought increases to burdens. However, we can report an improvement in our overall position since Budget 2009 delivering annual savings¹ for business of:

¹ Baseline and reported savings are both expressed in 2005 values.

- **£564 million** overall - exceeding the 10 per cent target by £54 million;
- **£344 million** against the forms and returns target of £337m; and
- **£42 million** from complying with audits and inspections which is double the target of £21 million.

Some of the key improvements that deliver savings for business are detailed below.

Intrastat

2.5 On 1 January 2010 the exemption threshold for completing Intrastat forms for arrivals was reduced from 97 per cent to 95 per cent. All VAT registered businesses who reach the threshold for their value of arrivals or dispatches (goods arriving from or going to other Member States) are required to submit Intrastat declarations on a monthly basis. The threshold reduction means that around 6900 businesses will no longer have to complete the arrivals declaration and will benefit from a share of the estimated £1.8 million admin burden savings.

Excise Movement and Control System

2.6 On 1 April 2010 the first phase of the Excise Movement and Control System (EMCS) will go live. This electronic system is designed to control the movement of excise duty suspended goods within the EU and replaces the existing paper-based systems that have been in use since 1993. It offers excise businesses the ability to communicate with HMRC and excise administrations in other Member States electronically. It will also link over 150,000 businesses in 27 national administrations 24 hours a day, 7 days a week, allowing authorised businesses to communicate more efficiently with their trading counterparts throughout the EU. This represents a substantial administrative burden saving, estimated at £12.5 million per annum, for UK excise businesses.

Reducing the burden of audits and inspections

2.7 HMRC has a target to reduce the time spent on compliance checks into low risk² business customers by 15 per cent, by March 2011. We are on track to meet this target. Underpinning this

² Low risk customers for this target are businesses found to owe HMRC less than £1000 served by HMRC's Local Compliance Directorate

achievement is our improved targeting of checks on less compliant businesses. This will reduce costs for compliant businesses.

2.8 We also have a number of initiatives, already underway or planned for the coming year, to make compliance checks less costly and stressful for businesses:

- **High Volume Intervention:** we recognise that many businesses make small and isolated mistakes requiring simple correction. The High Volume Intervention process deals with these errors quickly by letter or telephone without access to business records or a visit to business premises.
- **External Communication:** we are redrafting many of our letter templates to use clearer language and explanations, a neutral tone and a more logical structure. The new letters are easier to understand and so help to reduce customer uncertainty and the level of support businesses need to comply with our requests.
- **Openness and Early Dialogue principles,** we aim to talk to businesses at the start of a compliance check, explain why we are checking and what that check will involve. By building a open and collaborative relationships, in this way, checks can be concluded sooner with reduced costs for the customer.
- **Compliance Process Re-engineering** we are undertaking structured reviews of the traditional methods of carrying out compliance checks with the aim of cutting out waste for both the customer and HMRC. A review of Employer Compliance processes has been completed and pilot activity is being analysed, prior to adoption. VAT and Income Tax Self Assessment (ITSA) re-engineering is now underway.

Reducing burdens of audits and inspections for large businesses

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

Efficient risk-based approach

- By directing our resources towards the greatest risks associated with large business tax compliance, and taking up fewer small risks and issues
- Through engagement we will increase the number of businesses that have a low risk relationship with us, allowing us to free up more resource to focus on the bigger risks

Speedy resolution of issues

- By reducing the number of 18 month or older issues
- By agreeing action plans with the customer to resolve enquiries
- By agreeing the majority of new issues within 18 months

2.10 In 2009-10 we have continued to develop the risk framework that we launched in 2007.

2.11 **Efficient risk-based approach:** we have maintained our approach and developed stronger relationships with large business through improving openness and trust, leading to much more proportionate engagement. As a result we expect 40 per cent of our very largest business customers to have a low risk relationship with us at the end of this financial year. We have also reduced the number of smaller enquiries taken up in these cases and this year we will have reduced the number of small issues taken up by 40 per cent compared to 2008-09.

2.12 **Speedy resolution of issues:** for our very largest businesses we have closed 44 per cent of the tax enquiries that had been open for more than 18 months at 1 April 2009. For new risks we expect to meet our target of settling 85 per cent of new enquiries in 18 months or less. We are also focusing on closing cases more quickly in the rest of the large business population and this will continue to have a strong focus in 2010-11.

2.13 **Building relationships with large business:** the number of Customer Relationship Managers (CRM) has increased so that around 2,000 of our very largest business customers have a CRM. For the additional 7,000 businesses who meet the EU definition³ of a large business HMRC has developed a new Customer Co-ordinator role. Each of these businesses will be provided with a named contact within HMRC and these will be provided to customers from June 2010.

International Trade

2.14 In the 2008 Pre Budget Report, the Chancellor announced a cross-Government work programme to reduce the costs for business in complying with international trade regulation.

³ £30 million turnover, or more than 250 employees

2.15 The centrepiece of the work programme was a national consultation with trade and regional representative bodies and individual businesses to find out what they considered to be the biggest barriers and compliance costs. The outcome was the publication of the HMRC and the Department for Business, Innovation and Skills (BIS) report 'Simplifying Trade Across UK Borders – A Plan of Action'⁴.

2.16 Key measures include the establishment of a cross-Government International Trade Facilitation Committee (ITFC) which, for the first time, provides a central forum for all departments and agencies with an involvement in international trade to coordinate their policy, strategic and operational activities. An early objective is smarter international trade regulation in Europe.

⁴ Full details on the businesslink.gov website at <http://www.businesslink.gov.uk/bdotg/action/detail?type=ONEOFFPAGE&itemId=1083949366&r.s=p&r.pp=11&r.11=1079717544&r.lc=en&r.li=1083949791>

Chapter 3. Helping businesses get it right

3.1 We are improving our services so that businesses are given the necessary skills and tools to enable them to 'get their tax right'. Helping more businesses to self-serve the guidance and support they need to meet their tax obligations, and avoid making errors, reduces business costs while improving customer satisfaction levels.

HMRC Charter

3.2 Underpinning this approach is the new HMRC "Your Charter"⁵ which was launched in November 2009. This sets out the rights and obligations of our customers when dealing with HMRC, and supports the work which we are doing to continually improve our customer service.

Supporting Business Start-ups and SMEs

3.3 To help businesses in their earliest days, HMRC will further reduce the burdens in starting a business and personalise the online support it provides. We will:

- personalise businesslink.gov.uk for those starting up in business and enhance online services for all SMEs, providing better access to relevant tax guidance and flexible tax payment plans to help businesses manage their cash flow;
- help start-ups and new employers by introducing a single interactive form to authorise tax agents and register for multiple taxes online; and
- provide an online facility that reduces the need for businesses, or their agents, to provide the same information to HMRC multiple times and allows them a single online view of current tax liabilities or repayments due.

Work will commence now on these initiatives for their introduction in 2011.

Tax Help Campaign

3.4 We are committed to making small businesses feel that tax is getting easier for them. The **Tax Help** campaign launched in February 2008 has helped small businesses through the key milestones of

⁵ "Your Charter" launched on 11 November 2009, <http://www.hmrc.gov.uk/charter/>

dealing with tax. There have been over 600,000 visits to the Tax Help site at Businesslink.gov.uk and the exit survey results show that businesses are finding it useful, reassuring and that they are finding the answers they need: 33 per cent of visitors to the site say that it saved them a phone call to HMRC, 31 per cent that it saved them time and 25 per cent say that it made them less worried about tax.

3.5 The Tax Help site was extensively refreshed in February 2010 and now provides:

- Improved pages and enhanced tools structured around the key business lifecycle events – planning, launching, running, growing and exiting;
- Greater collaboration with key business partners - working closely with nearly 80 national organisations to reach businesses through them; and
- A focus on using key themes (like record keeping, filing online, planning for tax, getting support in difficult times).

3.6 We have promoted this through radio and online advertising, search engine marketing and through sponsorship of 'The Business Inspector', a new TV programme on Channel Five with a focus on helping new and small businesses run better.

Business Payment Support Service

3.7 Introduced in the 2008 Pre-Budget Report, the Business Payment Support Service helps viable businesses that are experiencing temporary financial difficulties to meet their tax obligations. It provides a streamlined service for businesses to arrange additional time to pay their HMRC tax bill. Most decisions are made within 10 minutes.

3.8 This support has been very successful and has already helped over 200,000 businesses employing more than 1.4 million people. To 14 March 2010 over 305,000 agreements have been reached with businesses to spread tax payments of more than £5.2 billion. We will continue to offer time to pay as a permanent part of our support for all viable businesses having difficulty in meeting their tax obligations.

3.9 This service is primarily aimed at self-employed people and companies but we will consider applications from anyone who is having temporary difficulties in meeting their tax obligations.

Chapter 4. Supporting Agents and Employers

4.1 Our relationship with agents remains vitally important. We value their contribution in helping to deliver HMRC services to businesses. We also share the common goals of delivering better customer service, improving compliance and cutting unnecessary costs.

4.2 In November 2009 we re-launched Working Together (WT) which is the main way HMRC identifies problems or issues with our operational systems that are creating difficulties for agents and their clients.

4.3 In February we supplemented this with the first virtual WT groups launched in partnership with AccountingWeb and Taxation magazine. We have also launched new web pages at www.businesslink.gov.uk/taxforagents bringing together the latest news and updates for agents and extending the reach of Working Together.

4.4 Recognising their important intermediary role, HMRC has implemented, or is developing, specific initiatives to support agents:

- **Agent Account Managers (AAM)** – providing a proactive service for local agents across the UK that enables escalation of issues and a route for discussing standards of service - contact is made through the local Working Together network;
- **Dedicated helpline** – providing a service for authorised agents to discuss and update their client records with HMRC;
- **Joint Learning** - we have delivered 42 joint 'Learning Together events' across the UK over the past year. The events brought over 2,000 HMRC staff (Local Compliance officers) and tax agents together to learn about the new penalties for errors in returns and documents and the new information and inspection powers; and
- **Managing risk toolkits** – During 2010 we will be rolling out a range of toolkits for agents to help them identify the most common errors that we see and the steps that can be taken to reduce the likelihood of those errors occurring. Each toolkit covers a specific tax risk area and will be available from our website. The toolkits also provide help in applying "reasonable care" under our new penalties legislation. Use of the toolkits is entirely voluntary and we recognise that some agents will prefer to apply their own procedures.

4.5 HMRC works closely with national representative bodies across the agent community, consulting on new measures and initiatives. The contribution they make to developing services that best serve customers, agents and HMRC is very welcome and valued by HMRC.

PAYE Improvements

4.6 In June 2009 HMRC introduced a new system, National Insurance and PAYE Service (NPS), which replaced the previous 12 regional databases in HMRC. The new system has been designed to create a single record and will reduce under and overpayments. Once our new NPS system is fully bedded in, customers will start to see the benefits:

- **Improved customer service** – the majority of PAYE records can now be viewed and worked on by staff in any HMRC location and most enquiries from employers can now be dealt with at the first point of contact;
- **Improved accuracy of data** - the new system has automated more PAYE processes and supports online filing of PAYE information. When the transitional mismatches in data are resolved, the accuracy of customer records will improve; and
- **Reducing correspondence** – Employers, individuals and their agents will in the future benefit from a reduction in correspondence. As an example, it is expected that, in the majority of cases, HMRC will no longer need to send Form P43 requesting employee leaving details, to employers. It is estimated that potential savings to employers could be in the region of £6-8 million.

Chapter 5. Improved Online Services

5.1 HMRC continues to provide more services online, making increased use of Businesslink.gov.uk as the main place for businesses to obtain information and services from Government. We've used customer feedback to prioritise the development and enhancement of services which businesses say would be the most useful to them.

5.2 Enhancements in the past year include:

- the new online form which enables PAYE customers to notify HMRC of changes in circumstances, and
- the PAYE Desktop Viewer which provides downloadable software to enable employers and agents to view and download PAYE codes and notices.

5.3 We've also added interactive tools and calculators including:

- Find a Form – an easy way to access tax forms
- Finding the right VAT scheme
- PAYE tax calculator
- National Insurance calculator

5.4 There are now online guides covering areas including VAT, Corporation Tax, Capital Gains Tax, Income Tax, PAYE and Expenses and Benefits.

5.5 New online services for Corporation Tax (CT) and VAT were launched in November 2009. The services make it easier for new users to register and enrol for the online service and file returns. And we provide downloadable guides, covering the entire online filing process, which are designed to help those customers who need some extra support when they first start to use the services.

5.6 Other improvements include the removal of the requirement for agents to be VAT registered themselves before they can file their clients' VAT returns online and enhancements to the service which allows agents set up client authorisations online.

5.7 For CT, Companies House and HMRC have agreed to use the same 'iXBRL'⁶ format for the submission of accounts using commercial

⁶ XBRL (eXtensible Business Reporting Language) is an international IT data standard for the exchanging of financial information across the internet. iXBRL retains the formatting of the documents so that machine readable XBRL data retains the original human-readable formatting

software. This is a significant agreement because it minimises the impact on software developers, companies and agents by enabling systems at HMRC and Companies House to receive accounts in the same format. HMRC already accepts this format and Companies House will be able to accept some accounts in iXBRL by summer 2010.

5.8 By October 2010 free software will be available from hmrc.gov.uk and companieshouse.gov.uk that will allow small businesses to input their accounts data, once, into a single template. It will also give them the option of filing accounts with Companies House and HMRC at the same time, if they wish to do so.

Businesslink.gov.uk

5.9 Many of our online services are now available through businesslink.gov.uk and the rest will migrate across by 2011. This will make it easier for businesses to find all information relevant to them in one place.

5.10 Businesslink.gov.uk currently gets around 1.5 million visits each month and this is expected to increase substantially as 95 per cent of content from relevant government websites becomes accessible through the site by March 2011. Over 90 per cent of users rated the site as good, very good or excellent in the most recent customer survey and continue to report real time and cost savings from using the service.

5.11 Businesslink.gov.uk has been able to react quickly to external factors affecting business, providing a reliable source of up-to-date and valuable information. For example, supporting cross-government campaigns on Swine Flu and on Real Help for Businesses during the economic downturn.

5.12 HMRC has also been working closely with other Government Departments to utilise the cross-government opportunities of businesslink.gov.uk. We now send a welcome letter to all new company directors signposting them to businesslink.gov.uk and other useful information. Early results from this joined up approach for supporting those taking on new responsibilities have been encouraging.

Doing business across the European Economic Area (EEA)

5.13 A further enhancement to the businesslink.gov.uk platform was launched on 28 December 2009 in line with European Services Directive 2006/123/EC⁷. The Directive requires all countries in the EEA to break down barriers to cross border trade in services. As part of this, every member state has had to implement an online Point of Single Contact (PSC) website to help businesses to operate in that country.

5.14 The UK portal – “UK Welcomes” - aims to cut red tape and to help all businesses, whether abroad or locally, to identify the legal requirements for operating anywhere in the UK. Where applicable, these businesses can also apply online for any licences they need from regulators or local authorities. This will make it easier for businesses, particularly small and medium sized enterprises, to offer their services to customers elsewhere in the UK and EU.

5.15 It will also help to boost the UK economy by helping businesses set up or expand into England, Scotland, Wales and Northern Ireland, bringing jobs and improved competitiveness. Businesslink.gov.uk provides incoming businesses with advice, guidance and support on all aspects of how to do business in the UK.

⁷ Full details on the European Commission website at http://ec.europa.eu/internal_market/services/services-dir/guides_en.htm

Next Steps

6.1 Reducing burdens for business continues to be one of our strategic priorities. Working with ABAB and business stakeholders we will continue to seek out and pursue opportunities to reduce burdens in areas that are priorities for business.

Taking forward burden reduction targets

6.2 The message we hear from business stakeholders is that HMRC has done a good job on reducing admin burdens, particularly in tackling administrative areas ripe for improvement. However, they feel there is more that HMRC can do to reduce error, effectively manage change and make the task of dealing with tax feel 'better' overall for businesses. And they want to see a shift in focus to address these areas. The Government has taken these views on board and plans to announce burden reduction targets, for 2011 onwards, in the 2010 Pre-Budget Report that encompass these areas.

Your ideas and suggestions

6.3 We would also like to hear 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. Funding for changes is limited but we will look carefully at the viability and potential benefits of all the suggestions we receive. You can send your ideas to HMRC using the feedback page on our website, available at <http://www.hmrc.gov.uk/better-regulation/feedback.htm>.

Annex A: Overall reduction in burden – contributory measures

Benefits to small and new business (net estimated savings £115 million)
• VAT 1 - VAT registration application - a redesigned form, coupled with improved guidance in December 06
• VAT annual accounting scheme -
• Abolition of the zero per cent and non-corporate distribution rates of Corporation Tax
• Intrastat - increased threshold removing intrastat requirement for 2300 small businesses
• VAT Flat rate Scheme (FRS) - increased take up of FRS
• SA - doubling the three line account threshold to £30,000 and introducing shorter self-employment pages for businesses with an annual turnover aligned with the VAT registration threshold, helping 1.3 businesses submit shorter tax returns.
• SA - doubling the payment on account threshold to £1000 simplifying the payment system for 320,000 businesses
• Excise - de minimis level for bio fuels
• VAT: Transfer of a Going Concern
Benefits to employers (net estimated savings of 63 million)
• Form 42 - employee share schemes - removing the need for 90% of new companies to complete this form
• Ending payment for Working Tax credits via employers
• New Form P46 and coding improvements
• Improved statutory payment calculators and interactive P11 working sheet
• PAYE - removing requirement for signature on remittance slips and accepting notification of a nil liability by phone or 'e' rather than by form.
Regime Changes (net estimated savings of £310 million)
• Excise Whisky Stamps
• New Construction Industry Scheme
• Simplified Pensions Tax regime
• Deregulation of the alcohol and tobacco industry
• Introduction of Real Estate Investment Trusts
• CGT Reform
• Abolition of Industrial and Agricultural Buildings Allowance
• Annual Investment Allowance
• CT: Provision to write off small pools of expenditure
• Changes to the Climate Change Levy Accounting Document
• Trust Modernisation - less SA Trust returns required
• ISA Reform: annual statistical reporting rather than quarterly
• Pensions: Increasing the flexibility of commutation of payments
• Capital Allowances - tax relief for business expenditure on cars
• Managed Service Companies - anti avoidance legislation
• Business Reply Envelopes - removal of pre-pay facility

• Energy Products directive - private boats and planes - expiry of derogation
• CT: Revision of CT41G - Registration of liability to Corporation Tax
• Reform of Air Passenger Duty
• Amendments to VAT exemption for supply of medical services
• VAT: Changes to Partial Exemption Special Method Regime
• VAT 2 Partial Exemption charges - simplifying the de-minimis limit
• CT: Foreign Profits
• Amusement Machine License variations
More Online (net estimated savings of £32 million)
• Carter Programme - online filing
• Electronic Payment
• EC Sales List online filing
• Excise : Introduction of online Alcohol and Tobacco Warehousing Declarations
• Excise Movement and Control System
• SDLT 'e' channel
International Trade Changes (net estimated savings of £15 million)
• Abolition of the need for Form EUR2 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 declaration - reduced requirement, only call for one on risk basis
• Export Control System-exchange of information
• VAT Reform of 8th Directive refund scheme
• VAT Package of reforms - Modernise and simplify the EC VAT rules for businesses involved in cross border activity
• Intrastat - Reduction of declaration threshold from 98 to 95% on arrivals
Reducing burdens of SDLT (net estimated savings of £29 million)
• 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
• Removal of £5 fixed stamp duty charge- introduction of £1k threshold