

Compliance Reform Forum (CRF)

Thursday 22 October 2009

Chancellor's Room
100 Parliament Street, London

Agent Representatives

Chas Roy-Chowdhury	Association of Chartered and Certified Accountants
Glenn Collins	Association of Chartered and Certified Accountants
Jane Moore	Institute of Chartered Accountants in England & Wales
Con Kelly	Association of Accounting Technicians
Jacqui Brennan	Association of Accounting Technicians
Tina Riches	Chartered Institute of Taxation
Matthew Brown	Chartered Institute of Taxation
Gary Ashford	Chartered Institute of Taxation
Derek Allen	Institute of Chartered Accountants of Scotland
Elaine Gibson	Institute of Payroll Professionals
Paul Hill	Association of Taxation Technicians
Simon Sweetman	Federation of Small Businesses
Robert Maas	Institute of Indirect Taxation

HMRC

Stephen Banyard	Business Customer Unit
Brian Redford	Business Customer Unit
Jayne Banner	Pacesetter in Compliance - New Ways of Working
Andy Tims	Pacesetter in Compliance – New Ways of Working
Martin Stribblehill	Central Compliance
Helen Hill	Business Customer Unit
Fay Quayle	Central Compliance

HMRC Presenters

Mike Brown	Local Compliance Change & Capability
Sarah Reynolds	Local Compliance SME interventions
Mark Leech	C & E Programme – New Ways of Working
Catherine Cottis	C & E Programme – New Ways of Working
David Matthews	C & E Programme – New Ways of Working
Mark Young	Pacesetter in Compliance – New Ways of Working
Simon Habesch	Central Policy – Powers Review

Apologies

Francesca Lagerberg (ICAEW), Christine Woodbyrne (HMRC), Simon Norris (HMRC), Steve Hickman (HMRC)

SB opened the meeting indicating that it would largely be an overview of current issues with a view to seeking input from the group.

Hard copies of Compliance fact sheets

1) HMRC is proposing to stop routinely issuing paper copies of Compliance Series factsheets to agents at the start of or during any compliance check as these are available online and will likely be held by agents. It was emphasised that customers will continue to receive paper copies as they do now and agents can ask for copies if required. As well as saving on paper it will support business efficiency and ecology.

2) The proposal was agreed subject to undertakings by HMRC that

- nobody, for example those without internet access, would be disadvantaged and
- agents' letters would highlight where the factsheets could be obtained, consideration being given to including a hyperlink in the letter.

Keeping Records fact sheet

3) HMRC had provided the latest draft of the fact sheet which was intended for issue at the point of self employed registration. Agent representatives highlighted various areas that could be improved:

- No explicit mention of recording takings (except for VAT registered businesses)
- For PAYE need to keep records for three years plus the current year
- Cheque books would not be available if records kept electronically

As the focus of this factsheet is on businesses it was suggested that it be given further consideration from this perspective.

AP1 DM to talk to Mike Purvis in BCU.

Working with tax agents consultation

4) HMRC Powers Review had already engaged with everyone present either personally or via their rep body. Most organisations were represented at the workshop on 6 October - their input was helpful and appreciated. The outputs will inform future development and there will be a full response at or around the time of the PBR. It is proposed that certain areas will be developed more quickly with further consultation:

- Disclosure to professional bodies subject to safeguards for compliant members
- Deliberate wrongdoing
- Access to wider working papers including clarification of the trigger
- What would the penalty be and should names be published
- High Volume Repayment Agents

Other Powers Review Consultations

5) Two consultations had closed on 1 October and HMRC provided an update on both.

- Bulk and Specialist Information Powers
- Excise Modernisation and Compliance Checks

Pre return support for agents

6) Two members of the Core Steering Group, one from HMRC and one from ICEAW gave a joint presentation. The aim of the project is to support agents in completing their pre-return verification process and for HMRC to gain assurance that agents' work covers the main risk areas.

7) HMRC acknowledged the outstanding contribution of the core working group and reported that the level of take up by agents in the pilot had exceeded expectations; this will improve evaluation which will take place after the end of January when the tool kits have been used for almost a full return cycle.

8) The group has given consideration to making the tool kits interactive but agent representatives have given a clear steer towards their publication as a guidance product.

9) HMRC explained, in relation to reasonable care, that it is not mandatory to use a toolkit to demonstrate this; the wording will be changed in future to make this clearer. There are currently six tool kits and HMRC is working on a catalogue to provide a logical sequence that will show how development is planned over the next two years.

10) HMRC confirmed that the toolkits are not yet available to agents outside the pilot. They need to be tested to ensure that they are fit for purpose and in addition agents in the pilot have AAM support.

11) HMRC acknowledged agent representatives concerns that care would be needed with updates and version control.

12) There was general discussion of how the toolkits are used by firms of different sizes and also the approach taken by other tax authorities.

AP2 MY / SB to take forward the wider considerations.

Openness and Early Dialogue

13) HMRC gave an update on the trial, its evaluation and recommendations and acknowledged that the project was based on a CRF idea. The approach has been successfully implemented for personal tax and the principles will be introduced for small businesses during 2010/11. Ultimately the aim is to adopt the approach in all Local Compliance work although it was acknowledged that staff culture changes are needed.

14) Agent representatives were very supportive especially in terms of sharing information on risks.

Compliance Checks, Penalties and Tribunals

15) HMRC presented statistical information relating to work thus far on the emerging Compliance Checks Authorisations and Penalties. These had previously been provided to the Powers Implementation Oversight Forum. It was emphasised that these were very early returns; more meaningful figures would be available in the New Year.

16) Agent representatives suggested that further analysis of the 'unannounced visits' into represented / non-represented and MTIC /Hidden Economy etc would prove informative.

AP3 ML will produce a further update in January based on further information requested by agent representatives.

17) Agent representatives raised concerns that their members had encountered instances of 'informal' compliance checks being commenced outside the existing Enquiry Frameworks and/or formal use of the new Schedule 36 information and inspection powers. HMRC made it clear that, other than by way of agreed pilot activity, compliance checks should not be commenced outside an agreed Enquiry Framework or formal use of Sch 36 powers and undertook to investigate any circumstances in which this might have occurred.

AP4 MB requested copy letters where it is felt compliance checks are being opened outside these reported guidelines.

Joint Learning

18) HMRC reported that the feedback on the eight events delivered so far had been excellent. Agents felt it was a really good use of their time and they now have a better understanding of powers, penalties and HMRC's changing culture. In addition, HMRC have engaged with agents through the events who would not normally attend Working Together or other forums. The events have created good debate with the questions indicating a high level of interest. HMRC will be considering how the material can be used further for example encouraging local Working Together groups to replicate the events.

19) Agent representatives who had attended were also very positive and suggested there was much benefit in considering follow up events as a means of continuing to increase knowledge and understanding and building trust. It was a welcome culture change for both HMRC and agents and perhaps joint presenting could be considered.

AP5 JB to consider the possibility of further funding for next year.

AP6 BR invited ideas on content, delivery (media type to increase accessibility) and future rep body contacts.

20) Concern was expressed about the lack of joint learning for imminent VAT changes.

AP7 SB to consider what can be done for VAT agents

PaceSetter Items

21) HMRC gave an update on two new areas within New Ways of Working that are at opposite ends of the compliance spectrum.

- Business Assurance
- Managing Customers who deliberately evade

22) HMRC confirmed that Business Assurance is targeted at new businesses with the aim of making early contact to ensure records are adequate and will run over the next six to nine months.

23) Agent representatives pointed out that small businesses may have very basic bookkeeping skills but, where an agent is engaged, the agent will make adjustments to the prime records when preparing the annual accounts and tax computations. HMRC accepted this and confirmed that requests for records will be considered as part of the pilot.

AP8 HMRC to invite CRF input to the design of the Business Assurance pilot.

24) In relation to managing customers who deliberately evade agent representatives requested an assurance that the approach would apply to all evaders.

Cross tax working pilot

25) HMRC explained the aims of the pilot to start in Exeter exploring new ways of working 'cross tax compliance checks'.

26) Agent representatives expressed a number of concerns. Issues highlighted included:

- Telephone contact – security aspects where initial contact may not be with the business owner as well as not including the agent in the initial exchange
- HMRC advised that they could not write to the agent when more than one head of tax was under review. They have taken legal advice which has indicated that contact with the agent would be unlawful disclosure where authority for all heads of duty not held and/or more than one agent acting – agent representatives queried the HMRC opinion expressed
- Terminology – company tax return used in sample letter

The purpose of the pilot activity is to help understand what assurances can be put in place to support the work and explore what options might be available to ensure compliance with the law, whilst providing the necessary flexibility to allow the work to be undertaken.

AP9 Agent representatives to contact MB direct with their thoughts and concerns.

AOB

27) There will be an announcement on the HMRC website on 23 October in relation to the deadline for the submission of paper returns against the background of potential problems caused by the postal strike.

28) The next CRF meeting is scheduled for Thursday 4 February 2010.

29) After the meeting a request was received for agent volunteers in connection with implementing the new legislation to publish the names and details of deliberate tax defaulters – see [Annex](#).

Summary of Action Points

AP1 Further discussion of Record Keeping factsheet with Mike Purvis in BCU - David Matthews

AP2 Wider considerations of toolkits to be taken forward - Mark Young / Stephen Banyard

AP3 Further update on compliance checks, penalties and tribunals to be produced in January - Mark Leech

AP4 Compliance checks inappropriate letters to be sent to Mike Brown - Agent representatives

AP5 Consider further funding for more joint learning next year - Jayne Banner

AP6 Ideas on content, delivery and contacts for more joint learning subjects to Brian Redford - Agent representatives

AP7 Consider joint learning possibilities for VAT agents - Stephen Banyard

AP8 Input from CRF to design of Business Assurance pilot - Andy Tims

AP9 Thoughts and concerns about Cross Tax Working pilot to Mike Brown Agent representatives

Annex

Publishing Names of Deliberate Defaulters project (NWW201)

Volunteers are being sought in connection with implementing the new legislation to publish the names & details of deliberate tax defaulters.

Background: One of the anti-evasion measures in the last Budget was to enable HMRC to publish the names of deliberate tax defaulters. The legislation is contained at Section 94 Finance Act 2009 and it is intended that this will:

- send a clear signal that tax evasion is wrong
- deter people from doing it
- reassure those who do pay the right tax
- encourage those that do not, to come forward and make good

The legislation is linked to the new penalties which apply across most of the taxes and duties administered by HMRC. It will apply to tax periods commencing on or after 1 April 2010, to those who are penalised for deliberate tax defaults of more than £25,000 and who have not made a full disclosure to HMRC.

Current state of play: A project team is currently working to ensure the changes to HMRC processes have been made in readiness for this important step. Amongst other things, this will include:

- putting in place the process for intervention officers to refer suitable cases for publication.
- ensuring delivery of new training for staff so that changes to enquiry procedures are understood and acted upon.
- co-ordinating the changes to technical guidance, and to forms, letters, etc.

- Ensuring the relevant safeguards are put in place to ensure the accuracy of the information published.

For the legislation to have the desired effects, it is important that taxpayers become aware of it. The manner and tone that such a message is given is important if we are to increase openness and co-operation during an enquiry, and encourage people to come forward and make good for past wrongdoings. The team is keen to have input from the wider tax community to help with the wording and tone of that message, along with developing ideas to successfully bring about this change.

If anyone would be interested in becoming involved, please contact Gary Gill. The commitment is unlikely to be onerous and would involve advance scrutiny of guidance & training packages and occasional discussions with the project team over the next six months.