

Minutes of the Employment Consultation Forum

Date: 21 July 2011

Location: Bush House, Room G23

Time: 11.00 to 15.00

Attendees

Co-chair: Karen Thomson (KT) - CIPP

Co-chair: David Ellis (DE) - HMRC

Acting Secretary: Chris Alsop (CA) - HMRC

Jackie Petherbridge (JP) - FSB

Jason Piper (JPi) - ACCA

Simon Parsons (SP) - Payroll Bureau

John Hampton (JH) - CBI

Alex Rowson (AR) - BASDA

Donald Drysdale (DD) - ICAS

Glenn Collins (GC) - ACCA

Martin Benson (MB) – ICAEW

Trevor Blackmur (TB) - ATT

Norman Green (NG) – BCS

Colin Ben-Nathan (CB) – CIOT

Linda Pullan (LP) - Payroll Alliance

Jeremy Nottingham (JN) – AAT

Naomi Ferguson (NF) - HMRC - Business Customer and Strategy

Nick Chaplin (NC) - HMRC - Business Customer and Strategy

Vicky Reynolds (VR) - HMRC - Business Customer and Strategy

Paul Stevenson (PS) – HMRC - Debt Management & Banking

Hasan Mustafa (HM) – HMRC - PAYE, SA & NIC

Anthony Shirley (AS) – HMRC - PAYE, SA & NIC

Val Barton (VB) – HMRC - Business Customer and Strategy

Matt Ray (MR) - HMRC - HM Treasury

Linda Patchett (LP) – HMRC - Software Developers Support Team

Tony Locock (TL) – HMRC - Real Time Information

Apologies

Iain Scott-Shore - CBI

Anne Redston - ICAEW

Richard Baron - Institute of Directors

Peter Bickley - ICAEW

Helen Harvey - Payroll Bureau

Ian Whyteside - AAT

Jane Turley - IAB

Colin Robinson - HMRC

John Clough - HMRC

Sue Ellis - HMRC
Tony Copsey - HMRC
Sue Lely – HMRC
Lynn Coulby – HMRC

Welcome and introductions

DE welcomed everyone to the meeting, especially introducing NF who is our new Director of Business Customer and Strategy. NF addressed the forum saying how pleased she was to be at the meeting emphasising also how she would keep in touch with the business of ECF even when she did not attend personally. NF emphasised the importance of stakeholder engagement to HMRC in implementing its customer-centric strategy and confirmed her continued support for the role of ECF especially with the challenges ahead for example Real Time Information (RTI) and the benefits that will bring to the joined up world of payroll. NF invited the group to raise with her their current key concerns and issues. Members raised the following items and discussion followed:

- DMB Letters – where DMB is continuing to send letters sent estimating liability based on previous years even in cases where the scheme has closed;
- RTI Consultation Forum and the role of ECF as a central consultation forum. This was discussed in detail later in the meeting;
- Penalties – the offer was made to send forum members a note explaining how and when HMRC would apply penalties. Additionally, an offer has been made to ECF for a presentation to be given on penalties. This will be arranged for the next meeting which is in September 2011.
- NF accepted the continuing issues with data quality and reported on all the work that is being done to understand end to end processes fully to improve data alignment and quality;
- Members felt that the different areas within HMRC seem to change their names too often. This was expressed as an issue as customers find it difficult to understand the area within HMRC they need to contact;
- HMRC have advised that all correspondence would be sent from Longbenton. Letters are being received from Cardiff as well causing confusion as to where replies should be sent. KT said she would take this away.
- NF also engaged with members of the significance of the digital agenda for government and therefore for HMRC. It was agreed HMRC needs to ensure its website and online services provide a satisfactory service;
- Concern was raised over the timetable for RTI.

NF thanked the forum for their time saying she had found the exchange helpful and informative and at that point retired from the meeting.

DE continued by welcoming:

- DD from ICAS who was attending his first meeting and will be sharing ECF duties with Katharine Arthur
- MB who attended for Peter Bickley
- JN who attended for Ian Whyteside
- VR who attended as an observer
- CA who attended as secretary

Sincere thanks were expressed to Janet Jack of IAB for her past participation and contributions.

HM Revenue & Customs (HMRC) staff updates

DE took the opportunity to explain to members VR's new role in bringing further connection and added value across employer consultation.

Minutes and action points from previous meeting

The minutes were agreed as a true record.

DE then passed over the open points to NC to provide an update.

- **AP1** – Bookmarking PDFs – A response had been issued by Colin Robinson which led to other questions about HMRC publications in general. HMRC recognise the strength of feeling about the subject and will ensure the issue is given a fuller airing at September's meeting. NC emphasised that the issue was around resource and was dependant on other priorities across HMRC. DE/NC will ensure that a suitable business expert will attend.
- **AP3** – Customer purchasing HMRC stationery. A fuller update will be given at September's meeting. The major issue is that in considering a policy where forms can be purchased, HMRC could only do so across all heads of duty and tax credits. These issues will therefore take some time to work through.
- **AP4** - Image of forms for software developers. NC advised a response had now been received. The main issues are around security with particular concern over P45s and P60s. NC will send a link to the Software Developers' pages on the internet where has "clean" copies of some forms are available. KT asked to forum to have a look at the link and advise any issues. The link is:
<http://www.hmrc.gov.uk/ebu/pnforms.htm>

- **Not Allocated AP** - DE confirmed open dialogue would occur between the RTI forum and ECF. This will be covered further down the agenda and RTI will be a standing item on the agenda in future. DE also confirmed there is an issues log which feeds from all the consultation forums. VR is leading on this piece of work.
- **AP5** - format of P46 – enquiries are near completion and a reply is imminent. SP felt this should be a quick win and couldn't understand the issue. NC will contact PSN and get an answer.
- **AP10** – Electronic Data Collection – an update to this will be available at December's meeting.
- **AP11** – Provision of paper guidance – this cross refers with **AP1** and will be covered at September's meeting.
- **Missed AP** – JP had raised this issue of colour and shading on HMRC products. NC advised the bulletin had reduced colour/images but appreciated this needed to be done across the board. NC to follow up.

Tax/NICs integration

MR explained further consultation was planned for the autumn but as a first step, the Government needs the best evidence available on the impact of the current systems on all interested parties. Businesses and other stakeholders can and should play a key role in developing and testing tax policy and for that reason a 'Call for evidence' has been published.

Key points:

- The reasoning behind this is 3-fold. Economic, Burden on Employers and Fairness
- MR is interested in identifying the current cost to Employers
- Formal consultation will follow later in the year. All feedback gratefully accepted.
- MR confirmed they are looking at all aspects of paying Tax/NICs. This includes all statutory pay.

Feedback can be sent to MR at incometaxnics.simplification@hmtreasury.gsi.gov.uk

MR advised he was happy to come back to the next meeting with an update.

DMB employer questionnaire

PS thanked members for their collaboration. He advised that Sue Ellis (SE) would be running with this in the future.

Key points:

- Payment reallocations – This is a work in progress. There are historical problems with how payments are allocated. DMB are looking into what can be done. It is acknowledged that some of the problems are caused by HMRC, some by the Employer and some by the BACS system.
- It is hoped RTI will resolve some of these issues, however there will still be a requirement for employers to add the payment period to the end of the reference which is currently a big issue.
- 40% of employers don't know how to use the Accounts Office reference.
- 90% are not aware that they need add the appropriate numbers when making early/late payments. It is appreciated that sometimes the banks do miss off this crucial information.
- Over 75% thought they could use the PAYE reference to settle other liabilities – such as settlement agreements.
- Once a payment is submitted to BACS there isn't much HMRC can do.
- 82% thought the guidance on how to pay was clear. It is unclear as to why therefore so many appear confused when quoting references.
- PS advised DMB were committed to try and improve things. They will carry on improving the guidance and work with the banks.
- JP asked if there could be just the one reference. There is still some work to do on this and in the meantime we will have to continue working as we are.
- TB advised it would be useful if agents could have sight of the AO reference when viewing online. Currently there is no mention of the AO reference.
- PS confirmed that RTI will continue to allocate payments to the oldest outstanding liability first.
- PS advised the survey results were illuminating. A resolution will be sought by using Pacesetter tools.
- KT asked if the results would be published with a list of the common errors. PS advised they were not in a position to do so at the moment but would do so when they were able.

DMB Employer Bulletin article

PS explained the background to the article and that DMB have started dealing differently with requests for details of payments made. DMB have done a quick piece of research which suggested that not all requests are justified. Out of a batch of 300 requests which were pushed back 90% were able to be resolved by the employer.

TB advised the main cause of the problem is that as Employers/Agents have no access to payments and no statements are sent out. PS confirmed that this was down to the BROCS system and couldn't be changed. Unfortunately all request for payment details have to be prepared manually.

KT advised the forum was disappointed that there was a lack of consultation from DMB before this was adopted. PS apologised for this.

DE will ask Gordon Smith, Director DMB, to attend the next meeting noting Gordon Smith always made himself available to ECF and the other main consultation groups - however, expectations needed to be managed given his other commitments currently. ECF understood that.

NIL End of Year returns

AS acknowledged that incorrect guidance had been given to HH and confirmed that the guidance, both internal and external, had now been updated. Very few P35s are being sent out – only to CIS only and exempt religious bodies.

JP advised she had a client who had received a penalty on 22 June as the client could not send a CIS only P35 online without P14s as the online service won't accept it. AS offered to take the details offline. JP to send example.

AS confirmed that if there was no requirement to complete a P11DWS then HMRC wouldn't expect to receive a P35 or P14s. AS confirmed the "No Return" facility was well received and a success. Unfortunately this is not an end to end automated process and needs clerical involvement. AS confirmed that these are currently being worked on.

AS confirmed this information can be sent to HMRC in writing or over the phone but the e-route is preferred. KT asked if it were possible for lists to be sent as HH has over 300 to submit. NG advised these are mostly unintentional employers who shouldn't have the extra burden/cost which may arise. AS will seek advice and advise ECF.

TB asked about amending the P35 online. The P35 can only be amended if amendments are made to the P14s. If it is only the check boxes which are required to be changed this cannot be done. AS will seek advice and write advise ECF.

AS confirmed he will take away the CIS issue, the No Return issue and the amending P35 issue and advise ECF once he has the answers.

Solicitors and Compromise Agreements

This concerned the correct tax code to use and was discussed in open forum. SP is concerned that employers/solicitors aren't handling the tax arrangements correctly. A discussion took place and KT confirmed that normal taxation rules should apply. It was agreed that this should be communicated via the CIPP

members, the CIPD, to the legal profession and the Employer Bulletin. DE will ask for consideration to be given to a letter from HMRC or joint letter from HMRC/ECF.

Real Time Information (RTI)

TL provided an overview of RTI.

- JP asked if it was possible to know how many employees the employers in the trial have. TL advised this was not possible at the moment however he confirmed the sample is representative and that a number of employers with only 1 employee are included;
- JP is concerned at the added burden which will be placed on small employers who would currently only pay once a year as they will be expected to file at least once prior to October 2013. TL said they are still looking at the options and will take this away;
- DD asked if the Government Gateway is robust enough to cope with the increase in traffic. TL confirmed this is a large project and tests will be done. He will feed back to the forum;
- JP asked why the BACS system was being used. Can it handle the volume given it has crashed before. TL advised they had the reassurance of the banking industry and that they were working closely with the banks to ensure the system could cope;
- TL reassured the forum that contingency arrangements will be in place. There will be a separate BACS channel to ensure payments to employees weren't affected if there was a problem.

Any other business

Agents and HMRC – Future Engagement

VB explained that whilst this looked at the relationship HMRC has with Agents, it was recognized that different groups of employers might perform similar duties. If any employer believes they operate as an Agent or has views on the proposals in the consultation document HMRC would very much like to hear from them. The consultation closes on 16th September.

JP was concerned that if an employer has a number of Agents working on different aspects she would be concerned if all would be tarred with the same brush when it came to putting together the “agent view”.

JH asked how does this affect companies with an in house agent/accountant? KT asked the same for employers with an in house Payroll team. VB advised this was the kind of thing they were looking for and that the various categories of agent would need to be identified as the proposals in the consultation document were taken forward.

Employer Strategy

DE advised that work was about to commence on an employer strategy. In depth engagement with members will follow and he will come back to ECF later this year.

Louise Boyle

DE said he was pleased to say Louise Boyle, a new HMRC Director, wishes to attend a future meeting. DE will arrange this.

New ECF member

KT had been approached by CJ to ask if the Association of International Accountants (AIA) could attend future ECF meetings. KT will email members to ask for thoughts.

Under/Overpayments of Tax

HMRC are looking for the main reasons that under/over payments of tax arise. Can members send their ideas to KT. KT will send an email.

P46/P45 Issue

New employees who have no P45 and no P46 are put on OT code then sent a BR code. If the P45 is then received what can be done as the instructions say the code shouldn't be changed. A discussion took place as changing OT to BR is pointless.

RTI Review Group

JH was concerned the CBI weren't approached to join the RTI group DE to confirm with RTI stakeholder group as to whether CBI approached

P14/P2/P35/ESC19

The issue TB raised on this with Colin will taken forward and progress reported to future meetings

Date of future meetings

The next meeting is on Thursday 22 September, 11:00 - 15:00 in room G23, SW Wing, Bush House, The Strand, London.

Dates for ECF 2012

22 MARCH 2012

21 JUNE 2012

20 SEPTEMBER 2012

13 DECEMBER 2012