

Update on Review of Links with Large Business: research summary

Background

Proposals 12 and 14 of the 2006 Review of Links with Large Business committed HMRC to:

- consulting with large business during 2007 to develop structured ways of getting thorough, honest, two-way feedback on our relationship and how it can be improved; and
- developing a better shared understanding of the contribution of the UK tax system to the overall attractiveness of the UK as a place to do business.

During 2007 HMRC commissioned two pieces of research on the experience of our large business customers:

- A telephone survey of 650 large businesses, to baseline their experience of dealing with us. This research also contributed to our understanding of the UK tax system's contribution to the overall attractiveness of the UK as a place to do business.
- Face-to-face in-depth interviews with 36 large businesses, which explored expectations of the 2006 Review of Links with Large Business and assessed the practical impact of the Review's proposals on customers and on HMRC. The research focused on the four key themes of the Review: certainty, risk management, resolution of issues and clarity through consultation.

This research was carried out over the summer. The research findings will help us identify the right priorities as our plans develop, and also enable us to measure improvements going forward.

Key messages and findings

The key messages from the research are summarised below.

Customer satisfaction

- 68% of our large customers are either very or fairly satisfied with the service they receive.
- 1 in 5 of our large business customers have noticed an improvement over the last year.
- The Customer Relationship Manager role has been well received and is beginning to have a positive impact on customers of the Large Business Service.
- The current division between our Large Business Service and Local Compliance customers on company demographic lines is broadly along the right lines.

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Attractiveness of the UK as a place to do business

- 88% of our large business customers feel that the UK is a good place to do business, with tax being a significant factor for the majority of them.
- Just 7% feel that the UK is not a good place to do business, with tax being a significant factor for nearly all.

Priorities for improvement

Although over two-thirds of our large business customers are very or fairly satisfied, and the results of the research show we are moving in the right direction, there is considerable room for improvement and we are not complacent.

The research identifies 9 customer priorities for HMRC:

- **Take commercial needs and expectations into account in the way we deal with the business.**
- **Help provide the business with certainty in their tax affairs.**
- **Be consistent in the way we deal with the business.**
- **Be a joined-up organisation.**
- **Actively seek a co-operative relationship.**
- Be an organisation the business can trust.
- Respond quickly to telephone queries.
- Ensure the tone of communication is appropriate.
- Be effective in pursuing those who cheat the system.

The 5 priorities highlighted in bold are common to all types of large business customer. The research indicates that “being a joined-up organisation” is the area in which there is most room for improvement.

Addressing the priorities

We are already addressing a number of these priorities through delivery of the proposals in the 2006 Review of Links with Large Business. Progress is set out in the update released at the time of the Pre-Budget Report in October: ['Making a Difference: Clarity and certainty'](#).

The research found that, overall, large business customers were positive about the proposals, believing they signified a move in the right direction. Views on the four themes of the review, and our progress in addressing them, are set out in more detail below. Going forward, we will monitor the extent to which we are effective in delivering the proposals and will develop plans to address those priority areas not fully covered by the Review.

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Tax certainty

- Tax certainty was an important issue for participants, who welcomed proposals to extend and clarify the existing clearance service
- Some participants expressed concern about implications of how HMRC would define 'significant commercial issues' in the context of providing clearances.
- Established relationships with HMRC staff were felt to provide consistency and supported businesses in keeping up to date with tax compliance. Participants reported that elements of the Customer Relationship Manager (CRM) model provided an ideal basis for developing such relationships, as it included a single point of contact within HMRC that facilitated contact across different tax areas.

Risk and resource management

- Perceptions of openness and transparency were affected by factors including attitudes towards risk, level of existing communication with HMRC, and the personal qualities and commercial understanding of HMRC staff. Businesses with a risk-averse attitude towards tax and a positive established relationship with HMRC staff were more likely to describe this relationship as open and transparent.
- Incorporating internal controls within a risk review was viewed as sensible and businesses were willing to share both implicit and formalised control processes as long as this did not result in a greater administrative burden.
- Views about real-time working were divided between the assumed benefits of greater certainty and less reliance on agents compared with concerns about increased HMRC intervention and a potential associated administrative burden.
- Adopting a risk-based approach to dealings with business was felt to be sensible, and the components suggested within the risk framework document were described as a good start.
- Assumed implications of achieving a low-risk status included HMRC adopting a 'lighter touch', involving fewer interventions but maintaining communication. Participants were concerned that, in practice, risk reviews might not incentivise behaviour change in relation to tax risk.

Speedy resolution of issues

- Customers of the Large Business Service were more confident than customers of Local Compliance about resolution processes within HMRC.
- Agents were viewed as supporting the resolution process, providing technical and procedural expertise to businesses. Maintaining direct contact with HMRC was important for businesses with well established lines of communication.

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- Ideal models for resolution included a single point of contact at HMRC (along the lines of the CRM model), together with a clear path for resolution, incorporating materiality and managing customer expectations.
- Action plans were felt to support faster resolution and consistency across tax areas, though concerns were raised about the impact this may have on flexibility and room for negotiation.
- Increased pre-return engagement in transfer pricing enquiries was welcomed as long as this did not result in a greater administrative burden. A risk-based approach for these enquiries was also felt to be sensible.

Clarity through consultation

- Third parties, such as agents and representative bodies, were viewed as central to the consultation process, although this did not negate the need for direct consultation with businesses.
- Some participants preferred early and exploratory consultation before ideas and policies are formed, while others preferred to respond to specific and clearly formed proposals.
- Businesses felt that a targeted approach to selecting participants for consultation would lead to a higher level of engagement. Participants reported limited experience of engaging in consultation (due to lack of time), and to the extent they did, there was a tendency to find the experience somewhat superficial.
- Participants expressed a desire to respond to consultation exercises in different ways, preferring informal methods where appropriate.
- Participants stressed the importance of receiving feedback, with HMRC providing an honest summary of responses in addition to presenting the final product. This was felt to inspire greater confidence in the consultation process, but also in HMRC working practices, encouraging more open and transparent relationships.