

# Large Businesses serviced by Local Compliance – delivering a new relationship

## Background

The [2006 Review of Links with Large Business \(PDF 242K\)](#) (RLLB) set out 14 proposals to help build a more transparent and trusting relationship between HM Revenue & Customs (HMRC) and large businesses.

Implementation of these proposals affects businesses with:

- More than 250 employees, or
- Turnover exceeding € 50 million and balance sheet asset value exceeding € 43 million

It applies to incorporated and non-incorporated businesses including partnerships.

Some businesses affected by the Review are looked after by the Large Business Service (LBS). This communication focuses on businesses serviced by Local Compliance. It explains the significant changes the Large and Complex (L&C) Teams, who look after these businesses within Local Compliance, are making in order to ensure HMRC meets the commitments made in the Review.

Some affected customers are supported by the Public Bodies Group. These newly formed Local Compliance teams are not within Large and Complex and are working to a different and later timetable for the implementation of change to support the particular needs of its RLLB customers.

Specifically, these are to improve customer service and develop a more professional relationship with businesses. This is also a key objective of [HMRC's Purpose Vision and Way](#).

RLLB focuses on the four key themes that businesses told us would make a difference and is underpinned by us improving our commercial understanding and professional skills:

- proportionate engagement
- speedier resolution of issues
- greater and earlier certainty
- greater clarity through effective consultation and dialogue

## Proportionate engagement

To ensure we deliver on these themes consistently, we are developing an Operating Model that provides effective management of and proportionate responses to tax risks and customer needs.

It provides for a number of different responses beginning, where possible, with an informal approach to the business or their agent. This informal

approach is already embedded in the way our Customer Relationship Managers (CRMs) operate and we will be extending this to most of our future engagement with large businesses. It allows for open dialogue enabling discussion and resolution of issues informally, where practicable.

As with the LBS many of our Local Compliance L&C businesses will benefit from a Low Risk relationship. Where this is established, contact initiated by HMRC with the individual business will be minimised. However if a generic risk is identified through a risk project or profile, we may still need to explore this with a Low Risk business to ensure that we are consistent in our approach to all our customers.

Risk management for most large businesses will be governed by targeted risk and compliance projects and profiles, and we will focus appropriate resources on the largest and most complex risk issues.

We are committed to improving our commercial understanding and ensuring this drives our key decisions about risk. We're working hard to develop these skills and to be able to understand and trust a business' internal governance, systems and decisions.

### **Speedier resolution of issues**

Nearly 10,000 of our large business customers fall within the scope of RLLB. 1,300 of the largest and most complex now have a named CRM who works collaboratively with named Tax Specialists to meet the needs of the business and of HMRC and acts as a ringmaster for interactions between HMRC and the business. The CRM is also responsible for the preparation, management and sharing of risk assessments with the business.

### **Businesses allocated a CRM**

Our CRMs have been contacting their customers to introduce themselves, provide an outline of our aims under RLLB, offer introductory meetings to expand on delivery of the four themes and discuss how the relationship with the business might develop. Once the Business has a CRM, it will retain one even if it reduces in size or complexity.

Initial feedback suggests many businesses and their professional advisers see this approach as a positive step. The initial meetings have been used as an opportunity to provide us with an overview of the business, its internal governance and corporate structure. This helps us understand our customers, their commercial drivers and attitude to tax, and is informing the holistic assessment and prioritisation of risks across the CRM population. We will use this understanding to make key decisions about risk and focus resource where it is most needed.

A Low Risk relationship is determined by both behavioural and inherent factors. If a customer's tax affairs are very complex (ie there is significant inherent risk) it can still be Low Risk if it has a low risk tax strategy and is open and transparent with us. However it does need to be low risk across all taxes.

Following discussions with each customer, and consultation with Tax Specialists, CRMs compile a summary of perceived risks and an overall assessment of the risk position and share this with the business. This is called the Business Risk Review. Part of this process is to work with customers to ensure that their governance and systems minimise tax risk and that a Low Risk relationship is appropriate. This approach is being developed in partnership with LBS.

Business Risk Reviews have been completed on time as promised by 31 March 2009, and we have shared these with our businesses.

The HMRC initiated Business Risk Review is the starting point for resolving risks and issues and is discussed with each business. Any differences in view will be identified and resolved and the way forward will be agreed. This is the basis for addressing issues and working towards a Low Risk relationship. Co-operation and trust are key components to building a successful ongoing relationship and we are committed to ensuring these are at the fore of everything we do.

#### **To summarise a Low Risk relationship:**

- It is built upon open and transparent dialogue.
- The business brings to our attention those transactions and issues where there is:
  - uncertainty or
  - particular complexity or
  - where a high level of judgement or discussion is required to determine the tax treatment.
- Conversations take place at the time that the potential uncertainty arises rather than after a return is submitted.
- We share and discuss our view of risk, and agree a way forward.

#### **Businesses not allocated a CRM**

Detailed individual risk assessments are not needed for the majority of the businesses that L&C manages, and would place an undue burden on them. Our engagement will be initiated through effective well focused risk projects and profiles. As with businesses allocated a CRM we expect the first contact to be informal.

We will still provide help and guidance on specific tax issues, where needed, and we will be rolling out a network of Customer Co-ordinators for these businesses during 2009-10.

#### **Greater and earlier certainty**

Large business customers are often faced with material uncertainty on the tax outcome of transactions. We can provide all businesses (not just large businesses in this context) with certainty on the tax implications arising from significant transactions.

Our [non-statutory clearance regime](#) aims to respond to clearances within 28 days, and we are currently meeting this objective in 79 per cent of all such requests.

Historically, interventions involving international Transfer Pricing issues have been quite protracted. We have now introduced an [internal board \(PDF 83K\)](#) to

- review international risks
- ensure consistency
- ensure they are either resolved or litigated within 18 or 36 months (depending on the complexity)

The appointment of CRMs and Customer Co-ordinators will provide businesses with a direct link to Tax Specialists enabling issues to be raised and resolved before the return is filed.

We will continue working with those large businesses with a CRM who we consider are non Low Risk, to ensure their risk areas are resolved as quickly and efficiently as possible. We will actively manage this process by agreeing the tax risks to be addressed with the business and then documenting the issues in an Action Plan (a resolution timetable) that will be shared and agreed with the business.

## **Greater clarity through effective consultation and dialogue**

Consultation and dialogue are critical to the development of the wider relationship between us and our customers.

L&C teams, both locally and nationally hold 'Agent Forums', which provide a dynamic and lively format for sharing ideas and raising concerns.

We are also grateful for the active participation of L&C businesses in the recent RLLB survey. The key messages will be informing our operational improvements in the coming year.

Action has already been taken on feedback from a 2007 survey of 650 large businesses. For example, the survey identified the need for a more 'joined up' and seamless department. As a direct response to this, L&C teams now collaborate much more closely with the different parts of HMRC who engage with their businesses to present a more consistent service.

A broader external communication strategy is being developed to ensure that businesses and their advisers are kept informed of developments within Local Compliance following the implementation of the RLLB proposals.

## Summary

We believe that there are clear benefits for both businesses and HMRC in delivering the RLLB proposals, and in particular, in achieving Low Risk relationships.

Understanding our customers and their tax risks means that we can focus resources away from Low Risk businesses whilst increasing our compliance results by concentrating on the issues that matter.

- 1) Clarity on issue resolution helps all parties plan resources
- 2) Providing certainty through early dialogue means we can help businesses in real time, as transactions develop.
- 3) Effective consultation helps us minimise the impact of operational and policy processes on business.

All of this is helping us to deliver our [Departmental Objectives](#) and ensures businesses pay the right amount of tax at the right time, and we help to make the UK a great place to do business.