

LARGE CORPORATES FORUM - 7 JULY 2006

2006 REVIEW OF LINKS WITH LARGE BUSINESS WORKSHOP

The review team's initial engagement with businesses, their representative bodies and professional advisers has been welcomed and the feedback has been valuable in informing the identification of priorities and the way forward.

There have been many positive comments about the relationship between large business and HMRC. Nevertheless, a number of concerns have been raised relating to the nature and tone of engagement, level of trust, certainty and clarity, professional standards and the degree to which the views of business are actually listened to during consultation.

The purpose of the workshops is to explore three of these themes in detail to clarify business concerns, thoughts on potential solutions and examine the pros and cons.

1. Clarity and certainty – clearance procedures and ‘real time’ working

HMRC has set out its desire to work in partnership with business, and to provide support and certainty, where possible, on a real time basis.

Business has expressed a desire for HMRC to improve processes by which they can obtain certainty and clarity. Global businesses cite the competitive advantage offered by other countries, most regularly, but not only, the Netherlands, through policies that facilitate the provision of advance certainty.

The aim of this workshop is to identify elements of ‘best practice’ in current clearance mechanisms (including Code of Practice 10 rulings); explore practicalities / pros and cons of a more extensive rulings process and the principles which would underpin this, taking into account business experience of other fiscal authorities. In addition, exploring ways of introducing greater transparency to encourage and drive earlier, real time resolution of issues.

Points to consider

- If HMRC were to provide a more extensive rulings process, what would the process look like – which areas would it cover, principles by which business and HMRC would abide.
- Examples of best practice from other fiscal authorities.
- Pros and cons, cost-v-benefits to both business and HMRC of adopting a more extensive formal ruling process.
- How to address the concerns of some about transparency and consistency.
- Current Code of Practice 10 processes.

2. LBS Operational issues

Initial discussions with business demonstrate a support for the LBS operating model and the underlying principles. For example, the move towards sectorisation, the risk based approach and the creation of the Client Relationship Manager (CRM) are all broadly welcomed as positive developments. However, some specific issues have emerged around certain

aspects of the model, some concerns as to whether LBS will deliver and how it is being implemented within the LBS.

The role of the CRM is seen as pivotal in the day to day relationship of the LBS and its business base. As such it is of fundamental importance that the role and its responsibilities, authority and scope are clear, consistent and achievable.

Points to consider

- What specifically is it about the CRM role/ sector lead role that needs to be clarified – what are the major points of concern/uncertainty.
- Do businesses want specific agreements between themselves and their CRMs/HMRC – for example, via ‘operating agreements’.
- What are business views as to how the CRM role can be given greater support and authority so that CRMs are able to manage interactions with customers **and** drive resolution of issues including negotiation and settlement – what, if any role does business have in this.
- How can trust be improved to encourage transparency and earlier resolution of issues – what is the role of business in this.
- Business thoughts on how the role/success of the CRM could be assessed and measured – what role would business play in this both in contributing to the relationship and the assessment.
- Business perspective on the role of the sector lead and how the benefits which come from continuity / experience can be balanced with career progression moves.

3. Skills, competencies, professional standards and culture

Concerns have been raised about levels of technical competence, standards of professionalism and commercial awareness. The HMRC culture is perceived to impact on levels of trust and so on the relationship with large business and the ability to resolve contentious issues in a timely and effective way. There is a desire for relationship and tone and nature of engagement with large business to be predicated on greater transparency and the presumption that the majority of businesses want to comply with their tax obligations and a better understanding of how tax fits within a business.

Points to consider

- What are the specific concerns about levels of technical competence and examples of areas where there are inadequate resources.
- Professional standards – examples of processes/ways business share learning and experience and maintain standards of training and development of their people.
- More concrete examples of what is meant by commercial awareness and how this can be improved in a practical way – specifically what is the role of business in this and how can they contribute
- How can HMRC, business, professional and representative bodies work more effectively together to improve understanding of business issues and accounting issues such as the implications of International Financial Reporting Standards.
- Would a greater application of materiality levels assist.
- How can greater cross-working between business and HMRC be achieved.

- How can greater transparency and openness, on the part of both business and HMRC, be developed and embedded in the culture and relationship.