

## **ROLES AND RESPONSIBILITIES OF LBS CLIENT RELATIONSHIP MANAGERS AND SECTOR LEADERS**

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## **Introduction**

1. The Large Business Service (LBS) in HMRC deals with the tax affairs of the largest UK companies, employers and partnerships. The book '[Working with Large Business](#)' – (available on our website at <http://www.hmrc.gov.uk/lbo/operating-model.htm>) - published in April 2006 set out how the LBS wants to work with its customers. Every business dealt with by the LBS has been allocated to one of 17 sectors, each of which is headed by a Sector Leader. A Client Relationship Manager (CRM) has been appointed for each LBS business and is responsible for managing the relationship between the business and HMRC.
2. The report [2006 Review of Links with Large Business](#) – (available on our web site at <http://www.hmrc.gov.uk/large-business/review-report.pdf>) - which was published on 17 November 2006, made a number of proposals aimed at improving the relationship between large businesses and HMRC. The highest risk large businesses are dealt with by the LBS, with other large businesses being dealt with by Local Compliance.

3. One proposal was that HMRC should clarify how decisions are reached on operational tax issues by publishing further details about the roles and responsibilities of LBS CRMs and Sector Leaders, including how CRMs apply the principles of the HMRC approach to settlement and litigation. The report also outlined how, in exceptional cases in the LBS, issues could be escalated beyond the CRM and proposed that further details of the escalation route should also be published. This note provides the HMRC response to those proposals.
4. Local Compliance will be setting out separately its arrangements for dealing with large businesses by 30 June 2007.

### **Sector Leader Role**

5. The primary role of each LBS Sector Leader is to manage the performance of their sector. This includes being responsible and accountable for:
  - Ensuring that all issues are resolved in line with HMRC's approach to settlement and litigation. This approach is set out in paragraph 17 below, and Sector Leaders provide input into decisions on the most significant issues being dealt with in their sectors. In addition, as recommended in key proposal 6 of the Review of Links report, Sector Leaders actively manage the resolution of all issues that remain unsettled after 18 months of enquiries.
  - Effectively managing the allocation of resources within their sector including ensuring that resources are focussed on the highest risks within the sector while also meeting customer needs. More details of HMRC's approach will be published by end March 2007, as recommended in key proposal 3 of the Review of Links report. We will cover risk assessment for large business and the practical impact for both higher and lower risk businesses of LBS focussing resource on the highest risks.
  - Ensuring that targets and deadlines are met with risks being assessed and interventions carried out in a consistent manner.

- Being the lead LBS contact point on sector wide issues for LBS customers and developing communication channels with trade bodies and other government departments. They will ensure that feedback from customers and their CRM is provided to others in HMRC, particularly the Product and Process Group, with the aim of improving HMRC processes and providing improved operational input on the tax regimes.
6. The names and e-mail addresses of the [17 LBS Sector Leaders](#) are available on the HMRC web-site at:

<http://www.hmrc.gov.uk/lbo/sector-leader.pdf>.

### **Client Relationship Manager (CRM) Role**

7. The primary role of the CRM is to manage the relationship between the business and HMRC across all taxes and duties. This role includes being responsible and accountable for:
- Preparing an integrated risk assessment for the business and then sharing the HMRC view of risk with the business, both to identify and resolve any differences of view and to involve the business in planning future interventions at the business.
  - Ensuring that interventions, e.g. system audits and enquiries, fully reflect the risks at the business and are carried out effectively, making appropriate use of the range of specialist resource available within HMRC and ensuring that issues are resolved in line with the HMRC approach to settlement and litigation. More details are provided below on the CRM's role in resolving issues.
  - Responding to queries and requests for clearance from the customer in a timely fashion and ensuring that HMRC meets agreed deadlines.
  - Keeping the business informed about how their issues are progressing and when they can expect a response to a request and why, exceptionally, some issues might take longer because of their inherent complexity or difficulty.

8. In addition, each CRM is either the lead direct tax or indirect tax specialist on their business, depending on their tax technical background.

### **Specialists**

9. Most tax technical work within LBS is carried out by tax specialists working on Corporation Tax (CT), indirect tax or employer compliance, under the overall direction of the CRM. In addition, the CRM is able to bring in other specialist resource as appropriate such as accountants, auditors, trade sector advisers, anti-avoidance consultants and international specialists.

### **Resolution of issues – Roles and Responsibilities**

10. For all issues related to a business, the CRM is responsible for maintaining contact with the business and for managing the HMRC resolution process, including ensuring that timetables for action are agreed where possible and that HMRC deadlines are met. The CRM's overall aim will be to ensure that the right amount of tax is paid at the right time.
11. For issues which turn only on the facts with no point of law or new policy issue arising, the CRM is accountable for deciding HMRC's position; where an issue is regarded as significant by either the business or HMRC, the Sector Leader will be involved closely with the progress of the issue and be an integral partner in agreeing with the CRM the course of resolution to be taken. In the LBS, this will not usually relate to issues with a tax value of less than £10 million, for all tax streams, unless the business or HMRC regards the issue as being significant – e.g. where there are sector or tax regime wide ramifications of a decision.
12. For issues turning on a novel or contentious technical interpretation or resolution of some uncertainty about the law or tax policy, the CRM will consult with the relevant technical specialists within HMRC – this will include specialists in Products & Process Groups such as CT & VAT and the Anti-Avoidance Group as appropriate - to reach a collective decision on HMRC's position. The Sector Leader will also be involved in this decision where the issue is regarded as being significant. Once a decision has been made the CRM will be responsible for progressing the issue in accordance with [paragraph 10](#) above.

13. For issues where HMRC consider that there has been fraud or negligence in the completion of a return, the CRM will take advice from specialist units within HMRC on the appropriate further action which could involve the imposition of penalties, or appropriate civil or criminal proceedings.
14. All decisions are subject to LBS propriety rules. These rules aim to ensure that decisions on significant issues are reviewed in real-time by someone other than the decision-taker and who is sufficiently experienced technically.
15. Any disputed decision on a VAT or Excise issue will, as now, be eligible for reconsideration within HMRC if the business chooses before the issue proceeds to the VAT and Duties Tribunal.
16. Currently for some cases in the LBS one tax regime may be dealt with by Local Compliance. Protocols have been developed such that the CRM is still ultimately accountable for the managing the relationship with the business along with overseeing the management of the risks for all taxes.

### **HMRC's approach to Settlement and Litigation of Issues**

17. All issues will be resolved in line with HMRC's approach to settlement and litigation. The main principles underlying this approach are:
  - We aim to resolve an increasing proportion of tax issues through early dialogue and working with customers to correct errors and clarify the law. And in cases where the issues are essentially about the right view of the facts, our aim is always to reach agreement on a reasonable basis. HMRC works on the basis that most of its customers seek to comply with their obligations and to claim only what they are entitled to.
  - On occasion, we will have different interpretations of the application of the law or accounting principles. We expect to devote a significant proportion of our intervention resource to identifying such situations and dealing with them promptly and efficiently to give greater certainty to both HMRC and our customers. Exceptionally, where agreement is not possible, we will seek resolution through the Courts.

- Our efforts to protect tax revenues will be focused primarily on those customers and issues that present the greatest risk. To achieve this, we will carefully target resources to investigate potential fraud, evasion, tax avoidance and to correct error, whilst minimising the effect of our interventions on the majority of our customers who represent a lower risk and pay what is in our view the right tax at the right time.
- Where an initial risk assessment suggests behaviour which poses a serious risk, the first priority is to obtain the facts before a dispute develops and to exit early from disputes where new facts indicate that the basis of the initial assessment is no longer robust.
- Once we have identified such cases, our objective is to ensure that we do not inadvertently reward those who have taken an incorrect position in law, especially those whose error results from a deliberate attempt to exploit a legal loophole through artificially structured transactions.
- Settlement terms must therefore include a best estimate of the right amount of tax, interest (and penalties where appropriate). Each issue will be dealt with on its own merits. In other words, HMRC will not settle a group of disputed issues for one sum which does not represent the right amount of tax for each issue.

### **Escalation route for use in exceptional circumstances**

18. The CRM has the primary responsibility and accountability for resolving issues with individual businesses and it is envisaged the majority of decisions are led and made by them, in partnership where appropriate with their Sector Leaders and other HMRC stakeholders. Where a business, having discussed the issue with the CRM remains concerned about the approach to resolving an issue and wants the resolution to be escalated, they should contact the Sector Leader in the first instance setting out clearly what is the cause for concern. The Sector Leader will be responsible for any further escalation to LBS Senior Management or, ultimately, to the HMRC Director General for the LBS (who is a member of the Board of HMRC). It is expected any such escalation would be very much the exception. Details of [Sector Leaders](#) are available from the HMRC Internet at - <http://www.hmrc.gov.uk/lbo/sector-leader.pdf>, or from the CRM of the business. Where an issue is escalated in this way, the Sector Leader will contact the business within ten working days of receipt of the request to have an initial discussion about the issue and the way forward.

## Further Developments and Feedback

19. This paper provides a summary of the current view of how CRM's and Sector Leaders in the LBS work together and with other partners in HMRC to resolve and settle customers' tax issues. If as a result of the ongoing implementation of the Review of Links with Large Business report refinements are necessary they will be integrated into the guidance. We would also welcome feedback on the guidance from businesses. This could be by way of their CRM's or Sector Leaders, through their representative bodies or the [Large Corporates Forum](#) details of which can be found on our website at - <http://www.hmrc.gov.uk/lbo/lbo6.htm>