



**HM Revenue
& Customs**

2006 Review of Links with Large Business

Large Corporates Forum

7 July 2006

Agenda

- Introduction
- Outline of the day
- Workshops
- Lunch
- Feedback from workshops & group discussion
- Outline of other key themes & group discussion
- Conclusion

Introduction

Large Business & Employers Customer Unit

Core Review Team

- John Connors (Director)
- Julie Hughff (Project Lead)
- Iain Macniven
- Ajit Philipose
- John Roche
- Paul Smyth
- Angela Brown

Introduction

- Since the Chancellor's announcement of the review at PBR and the release of the terms of reference on 5th May we have busied ourselves with the initial consultation phase
- We have:
 - engaged with representatives of 75 large businesses and 25+ representative and professional bodies and trade associations
 - met on a one-to-one basis with Consultative Committee members and held the first Committee meeting on 30 June
- These meetings have informed the direction of the review and the plans for the second phase of consultation

Introduction (continued)

- The review will be focusing on opportunities to:
 - strengthen consultation;
 - develop better dialogue;
 - create a framework for the relationship built on mutual trust; and
 - address certain operational issues.
- With a view to providing greater **certainty**, **clarity** and **reduced complexity** with benefits for both business and HMRC

Outline for the day

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- Break into 3 workshop groups to discuss 3 themes in detail
 - attendees allocated into groups - lists on table
 - breakout rooms - flipcharts/post-it notes, etc
 - appoint spokesperson to lead discussion in workshop & feedback in the afternoon session
 - record key points made in discussion - feedback template provided
 - each workshop to last 1hr and to be run twice during the morning
 - attendees therefore have opportunity to do 2 out of 3 themes
 - core review team / LBS attendees will join the workshops to provide input where required, answer queries and join the debate

Outline for the day - Workshop Outcomes

- Intention is to explore specific areas in detail with a view to:
 - clarifying and fine-tuning specific business concerns;
 - brainstorming potential preferred outcomes;
 - assessing pros & cons / costs v benefits of different outcomes;
 - considering what is needed to deliver outcomes;
 - considering what role business, advisers, professional bodies, representative bodies can / should play in delivering the desired outcomes

Outline for the day - Feedback session

- Feedback of key outcomes from each workshop - suggested template for recording discussion provided
- Spokesperson from each workshop will lead feedback
- Review team will facilitate group discussion
- Agree actions and how to take forward as a result of feedback

Outline for the day - Other themes

- Outline of other key themes / priority areas arising from consultation to date
- Opportunity for group discussion / feedback on key themes
- Plans for further consultation on each theme and how to get involved in the second phase

Workshops

Workshop One - Clarity and certainty

Aims of the workshop:

- identify elements of best practice in current processes - including CoP10
- explore possibilities of a more extensive rulings process, including:
 - practicalities and pros & cons
 - best practice / experience of other fiscal authorities
 - principles which would underlie the process
- suggest ways of improving informal processes to provide greater certainty / clarity and earlier resolution of issues - considering transparency and consistency

Workshop Two - Operational issues

Aims of the workshop:

- details of specific business concerns about the implementation of the LBS Operating Model and delivery of the working practices
- examples of concerns around the role, authority and accountability of CRMs and Sector Leads, particularly to negotiate and settle issues, including those referred to specialists / PAYE investigations, etc
- suggestions as to how the risk assessment process can be developed
- examples of best practice in relationships between business and LBS - what works well and why, how can this be replicated across LBS
- suggestions as to how trust can be built to encourage greater transparency and openness from both parties to deliver earlier resolution of contentious issues

Workshop Three - Skills, competencies, standards

Aims of the workshop:

- specifics of what is meant by 'commercial awareness', examples of how this could be improved and the role of business, advisers, professional bodies in assisting to deliver this
- suggestions on how advisers and professional bodies can work better with HMRC to enhance understanding of accounting and IFRS etc
- examples from business of best practice in maintaining professional standards of staff and sharing knowledge / understanding
- suggestions as to how mutual trust and better understanding of how tax fits within business context can be developed to increase willingness to engage openly and transparently to deliver earlier resolution of contentious issues

Outline of other themes

Other key themes

- Number of other themes emerging from initial consultation which will be explored in further detail in Phase Two:
 - relationship to be built on greater trust and transparency
 - strengthened consultation and dialogue
 - greater clarity via better guidance
 - simplification and reduced administrative burden

Relationship - transparency & trust

- Development of a **framework** to set out the parameters of the relationship, principles of engagement and commitment of each party to behaviours
- Aim to foster atmosphere of greater trust, transparency and openness so that both parties are willing to openly discuss contentious issues with a view to resolving them more quickly and with less confrontation
- Cultural change needed within HMRC - need to start from the premise that most corporates are aiming to 'get it right' combined with greater awareness of commercial issues and how tax fits within the business
- Business need to be willing to be more open and transparent too
- Opportunities to build on risk assessment to encourage transparency?

Strengthened dialogue and consultation

- Consultation and dialogue needs to be **effective & joined up**
- HMRC need to listen to views and concerns of business and take these into account in developing products & processes to reduce complexity
- If business views cannot be accommodated, discussion of reasons for this should be open and honest to maintain trust relationship
- Terms of reference, purpose and membership of consultative forums to be reviewed - establish a 'structure' and clear lines of communication to ensure unresolved issues escalated and resolved swiftly
- Publicise lines of communication to provide clarity on roles, responsibilities and accountability

Greater clarity via better guidance

- Reduced complexity, certainty and clarity are major concerns
- legislation is complex - guidance is 'patchy' - some very good examples and some poor or non-existent
- review of guidance to identify areas where better guidance is needed and how best to develop this
- policy to produce earlier guidance (for internal and external use) in relation to new legislation etc
- processes, in material areas, to provide certainty/clarity where specific scenario / circumstances are not covered by guidance

Simplification and reduced administrative burdens

- HMRC processes and resulting information requirements to be modernised in certain specific areas to reduce administrative burdens
- Better Regulation Unit and review team encouraging greater consideration of impact on businesses as part of 'business as usual'
- Some areas of the system create 'headaches' for business but score low as admin burdens, need to determine for large business where is the:
 - 'grit in the system'
 - complexity
- Need to identify those requirements which impose the biggest burdens for large business and assess how to address these

Simplification and reduced admin burdens (cont'd)

Some specific areas to be reviewed in detail:

- **Transfer pricing** - developing a more efficient, risk based approach to documentary requirements and enquires
- **Controlled Foreign Company Rules (CFCs)** - considering opportunities, independent of policy change, to simplify processes and documentation requirements
- **Employer issues**
 - consistency of approach in relation to dispensations and PAYE Settlement Agreements (PSA),
 - addressing 'gaps' in guidance (mobile workers / share schemes?)
 - account management issues / clarity over who to contact for queries

Conclusion