



**HM Revenue  
& Customs**

# **Approach to Compliance Risk Management for Large Business**

# Aims

- Update you on the Implementation of the LBS Creation & Review of Links proposals
- Give an update on the LBS picture of risk
- Raise key issues – that need further work

# Quick Chronology

<b>2005/06</b>	<ul style="list-style-type: none"><li>•LBS Created – 1 April 2005</li><li>•Operating model designed</li><li>•Sectors agreed</li><li>•Core system designed and developed</li></ul>
<b>2006/07</b>	<ul style="list-style-type: none"><li>•Operating model Published</li><li>•CRMs, SLs, TSMs appointed</li><li>•SRU created</li><li>•Core system went live – July 06 – data migration &amp; cleansing</li><li>•Picture of risk emerges</li><li>•Review of Links with Large business published – Nov 06</li><li>•Risk Framework published – March 07</li></ul>
<b>2007/08</b>	<ul style="list-style-type: none"><li>•Operational Plan reflects Varney challenge</li><li>•Risk framework Implementation underway - Action on lower risks</li><li>•Revised RA guidance</li><li>•Time recording system introduced</li></ul> <ul style="list-style-type: none"><li>•Risk reviews to be completed by end Dec 07</li><li>•40% businesses to have benefits of being low risk by 31 March 2008</li></ul>

# Proposals 4 and 6: Efficient risk based approach

## Proposal 4:

*‘Businesses will benefit from a more cost effective use of resources and efficient resolution of issues through the implementation of an audit approach which is focussed on key risks.’*

## Proposal 6:

*‘The introduction of a new risk based approach for undertaking employer compliance reviews.’*

# Our approach

- We believe the majority of our customers want to pay the right amount of tax at the right time

We want to:

- Work closely with our customers to better understand how they manage their tax risks
- Rely on customers' own understanding, systems and governance (where possible)
- Build a relationship of trust and openness

# Policy Guidance 1 (process)

- Draft guidance shared with LCF Risk Sub Group and advisors working group
- Working document - Issued to staff - August
- Will evolve and be improved as we learn
- Intend to publish externally if possible by end of October (or during November)

# Other Activities

- Migrating work in hand
- Developing a more strategic view – Performance Management Project and working with Risk and Intelligence
- Relying on Customers – Sub Project
- Defining LBS / LC customer populations and migrating work
- Keeping in step - Rulings, clearances and action plans

# 2007/08 Objectives

- Implement an effective risk framework under which we will:
  - Complete the risk review programme by 31 Dec
  - Reduce the number of lower risks by 75% by 31 Mar
  - Expect 40% of our customers to have the benefits of being treated as low risk by 31 Mar
  - Develop and implement a plan to increase resource deployed on higher risks

# Staff Engagement

- Requires big changes in the way our people approach their work
- Workshops with top managers
- Awareness Events completed - touched about 40% of staff
- NWWWE facilitated programme begun to generate buy-in (Line management, tax communities and specific issues focuses)

## Policy Guidance (2)

- Issues outstanding (more work needed):
  - Improve clarity of HMRC position on Tax Planning / Avoidance
  - Benefits of being Low Risk need to be more persuasive
  - Collaborative working processes need to be spelled out more clearly
  - Evidential framework for “low risk” needs to be developed

# Your questions

