

HMRC Podcast – New Penalties and HMRC Services for Agents

- David Preever Hello, I'm David Prever, and I'm talking today to HMRC's Brian Redford; he's Head of AESIP – the Agent & Employers Service Improvement Programme. We are talking about the department's work with agents, and we'll also be talking a bit later about the new penalty regime for incorrect returns. Brian's on the line from our offices in Whitehall. First of all Brian, what is the AESIP programme all about?
- Brian Redford It essentially has three major aims for the department. We want to make a notable difference in the agent experience. It sounds a little bit wishy washy but we actually want agents to have a better delivery of service from HMRC – noticeable difference. We also want to improve the relationship that we have with agents generally. They are a very core part of the business that we do and they serve a large number of our customers direct. And beyond that, we want to make sure that we understand how we do our business with them, and where we can make changes that benefit both the department and the customer through the agent – that's where we'd like to focus our interests.
- David Preever So what has it achieved so far then, the programme?
- Brian Redford One of the main concerns that agents raised with us was the degree to which they could successfully access the department's services. They said that our contact centre service wasn't good enough. They felt that they were not getting the level of technical support, and so on. So we've actually introduced – across all of our contact centres that deal with Self Assessment and Pay As You Earn – dedicated lines for agents and this provides them with a quicker service, access to more trained staff than previously, and an immediate resolution by escalating any of their technical issues to higher levels of our staff to respond.
- David Preever What are the priorities then for the programme?
- Brian Redford We need to understand just how much of the interaction we have with customers can be delivered

successfully through agents. We know that agents are in business, as other businesses, and they have to be conscious of the costs that they're charging their clients in doing business with us. If HMRC fails to provide a service, that manifests itself in wasted time for agents. So what are we going to do about that? I need to be having dialogue with large numbers of agents around the UK to find out what really frustrates them. I need to be working with them to introduce changes to our processes and services that give them a better service, and at the same time allow HMRC to make efficiencies. And beyond that, I want us to engage in a really honest dialogue about how the relationship between HMRC, the customer and the agent works.

David Preever

In terms of specifics then, are we talking about things like reducing delays in VAT registration and authorisation, for example, those sort of practical, day-to-day, need-to-get-things-done issues that agents face?

Brian Redford

Yes, one of the issues around last autumn was the delay in VAT registration and also agents becoming authorised to act for their clients, and I can honestly say that our service at the time wasn't as good as it should have been. Having listened to what agents were telling us, we have put more resources into those areas and I think that we have now returned the service level to what people would expect, but we need to go beyond that. Something like agent authorisation, at the moment that requires something like nearly two million pieces of post to be sent to this department each year – I am sure agents find that frustrating. We find that very busy in terms of resource we have to apply. My question then to agents and to the department is 'why do we do it?' – are there other ways we can simplify the process? And that's across a whole raft of things that agents are telling us should be improved.

David Preever

How can agents get involved with this work if someone's listening now and they're thinking 'I've got something to say and I want them to listen'? How can they get in touch with you or get involved?

Brian Redford

Oh well, I think there are quite a lot of agents who already know our individual email addresses and already fill up my inbox with useful comments and ideas, and don't stop that. The most efficient way, I

think, to get involved and to understand where the department is, and to offer ideas for change, is through local 'Working Together' groups. There are just around sixty, sixty five, currently active groups around the UK that meet on a regular basis throughout the year, between agents and HMRC staff responsible for services in a particular area. I'd really like that 'Working Together' idea to have great momentum. We're launching a series of regional events this autumn, where we'll be inviting all those who currently participate to come along, to have the opportunity to receive some information about what HMRC's doing, have the opportunity to challenge those who are responsible for delivering some of their services, and to take part in some collaborative workshops, to change the processes that we're currently introducing.

David Preever

So you listen to agents, no matter what practice they're in, whether they're small, sole traders with a few clients, or whether there are one of the big five practices – it makes no difference?

Brian Redford

It makes no difference, and we would welcome a broad section of commentary.

David Preever

There are some changes this year for agents. Let's talk about the new penalty regime. This is one of the main things that's coming along. Can you explain what this is all about for us?

Brian Redford

The new penalty regime that was introduced under the auspice of Finance Bill 2007, some people talk about as a once in a lifetime opportunity to change the department's penalties and powers regimes. I think, not since Lord Keith looked at this back in the early 1980s, have we taken such a root and branch review, and it came about because the two departments came together to form HM Revenue & Customs and that very, very quickly identified that we had inconsistent practices and inconsistent regimes across all of the taxes that we then became responsible for.

David Preever

What does reasonable care mean? Let's talk specifically about this new system and what it involves – this idea that people won't be penalised, even if they do make a mistake, as long as they have taken reasonable care. Isn't that a very subjective idea as to what reasonable care is?

Brian Redford

I think it is subjective. One of the problems with the old regime is it perhaps didn't recognise as well as it ought that people do generally try to get things right, and if they get it wrong they could be faced with a penalty. What we are clearly saying under this new regime is if you have tried your hardest, essentially, if you have taken reasonable care in producing your accounts or your returns, and you make a mistake, and you tell us about that mistake, then we will not be charging you a penalty. People do get it wrong. The essence of reasonable care, though, is one that is peculiar or particular to the specific individual. So we won't be expecting the same level of reasonable care from an individual running their own business, perhaps a small shop or chain of shops, as we might from a huge multinational corporation.

David Preever

So are HMRC staff being trained up in the new regime?

Brian Redford

There is already on the HMRC's website a training package that takes our staff through the new regime and the new levies for penalties, and we thought it appropriate, having spoken to the national representative bodies, to make that freely available to agents. So, if you go to the website you can actually work through the same training that our staff have had. There's also on the website all of the technical guidance that we have been collaborating with the agent representative groups on, so you can see exactly how we intend to operate this regime going forwards.

David Preever

Now, how are the new penalties going to work in practice?

Brian Redford

Essentially we are looking at a graded penalty regime that recognises the degree to which people have tried to comply with their obligations, and it sets a minimum and a maximum level of penalty for each of those grades, and there is then the potential to reduce those figures if you voluntarily come forward having found a mistake and let us know but, let's be fair, at the top end of the range, for those people who are willing to conceal income or taxable profits from the department, it does provide for a penalty of up to 100 per cent of the tax.

David Preever Presumably the penalty is still going to be pretty hefty?

Brian Redford Yes, the bands are 30 per cent for error if it's careless, 70 per cent if it's deliberate and up to 100 per cent if it's both deliberate and concealed, but each of those could be reduced by half if somebody does make a voluntary disclosure.

David Preever So how do I find out more about the new regime?

Brian Redford Most of this information is captured on our website at www.hmrc.gov.uk/agents and you'll be very welcome if agents would go and look at the site. We have actually improved it considerably since they last visited it, in response to things that agents said should be there and the way in which they searched it, and you'll also find a link to the penalties training that we spoke about earlier.

David Preever Brian, thank you very much for your time.

Brian Redford You're welcome.