

working *together*

issue 27

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HMRC Meets CCAB Presidents

The presidents of the Consultative Committee of Accountancy Bodies (CCAB) met recently with senior HMRC officials, Dave Hartnett, Director General with responsibility for business tax issues and Theresa Middleton, Director for Small & Medium Enterprises and Employers, to discuss the relationship between HMRC and CCAB members. Together they focused on

- what was going well and less well
- how we might work more effectively together; including
- how we might engage colleagues on both sides at working-level more productively.

What Was Going Well and Less Well

Both sides agreed that relationships at senior level were now working well. In particular, there was ongoing productive engagement around the implementation of Lord Carter of Coles' e-services proposals, and the work to take forward the development of new interventions (which now covers a much broader agenda) was progressing positively. HMRC acknowledged that tax agents have a special insight into the operation of the tax system and therefore it is imperative that HMRC listens to them.

The accounting bodies thought there was still room for improvement in HMRC's service delivery (especially Contact Centre performance where agents continue to report concerns on both access and query handling). They welcomed the telephone pilot which was taking place in the North West. This has just finished and will be evaluated shortly. HMRC will use the results to design improved services for agents. The results will also help with the design of a pilot to offer agents a named contact point with the Department. In addition HMRC plans to improve the agent focus of its website. A recent HMRC survey has found that agents are increasingly using the site for access to information and they report greater success at first point of contact than for Contact Centres.

Both sides wanted to see a general improvement in terms of tax technical knowledge and its use. Agents felt that it was often hard to get access to trained HMRC specialists. HMRC was keen to work with the professional bodies to improve agent performance in a number of areas. It was clear that most agents did a thorough and professional job, but it was still the case having a professionally qualified agent acting was no guarantee that returns made would be error-free. One way to improve performance could be through HMRC sharing with agents the common errors found on returns. Another was to continue to work with the professional bodies on their CPD programmes to ensure agents were keeping up to date. At the other extreme, at an appropriate stage, cases of clear incompetence would need to be escalated to the representative bodies, as of course would the rare incidents of fraud.

On HMRC's side there was also concern about the non-compliance of a minority of firms with the disclosure rules. CCAB were keen to see such firms reported to the relevant representative bodies. This would be taken forward bilaterally.

Working More Effectively Together

It was noted that local working together (LWT) arrangements had been affected by the merger and subsequent restructuring of HMRC business units. Accountability for LWT had been unclear and this had led to some local groups ceasing to meet or meeting less frequently. HMRC accepted that handling should have been better. The position is now much improved with accountabilities restored and additional resources in HMRC's central team that runs and monitors the arrangements. This should re-energise LWT and help improve relationships at the coal face.

Greater Engagement

Both sides acknowledged the gap between the centre and the front line, and the need to bridge that to achieve a shift in culture. Sometimes progress on this front could be achieved by a change in policy or practice (for example, the disclosure rules, or Sir David Varney's recommendations about how HMRC works with larger businesses. The latter moves the emphasis from post-return audit and enquiry, and intervention yield, to pre-return activity that should obviate the need for post-return work in many cases). HMRC aims to take this approach on a wider front over time. HMRC wants to shift the balance of work in the Department away from handling error and other exceptions and dealing with unnecessary contact towards helping agents and other customers to get things right up-front rather than checking them later. Agents are in the front line of compliance, and as much in the business of managing risk as is HMRC. A shift

of this sort could require more openness from agents about, for example, their risk assessment processes. This is a fundamental change from the way things work now, and could not be achieved quickly or easily. But there was a real prize here if it could be won with benefits to HMRC, agents, and their clients.

More broadly, there was enthusiasm for getting senior HMRC staff to meetings with groups of agents to share HMRC's wider agenda and react to concerns and issues of all shapes and sizes. And to bring local accountants and their HMRC counterparts together to understand different pressures and perspectives to deliver better understanding.

Stephen Banyard, Director BCU

Stephen Banyard is the Director of the Business Customer Unit (BCU) within HM Revenue & Customs (HMRC). BCU is responsible for gaining a better understanding of business customers and using that understanding to design and deliver better services.

Stephen is a good friend of Working Together having come to HMRC from the Inland Revenue where he was Director of Operations and took a close personal interest in Working Together. Stephen told us:

"Agents are a very important part of my job and I very much want to improve relations with tax agents and advisers at all levels.

To help us do this, we have established a steering group which includes members from each representative body.

Beneath the Steering Group are a number of joint groups with agents, some permanent and some ad hoc. Working Together is a vital part of this and is responsible for the practical day-to-day issues and for championing and supporting local Working Together groups.

Other bodies include the Direct Taxes Consultation Committee and the Compliance Reform Group, which is looking at compliance checks. And there are others that are specific to various taxes such as the Joint VAT Consultative Committee.

We know that recent changes in our organisation have created problems for some local Working Together groups. We want to strengthen relations at local level and are committed to refreshing and supporting local Working Together. Our Local Compliance colleagues, along with colleagues in other business streams are supporting this work.

Alongside this we have considerably strengthened the national Working Together Team, so that it can provide more support to local groups.

We are also seeking to improve the consultation we are doing as we develop new proposals. For example with the Carter proposals in the Working Together E Sub-Group, we are working closely with agents to develop a service that is as useful to them as possible.

We've already listened to agents on Carter: the initial proposal for the revised SA filing date has been changed; we have introduced online attachments and we are phasing the information to give everyone more time to adjust to the changes. Shortly we will be launching joint road shows across the country to introduce agents to our online services.

We are working together with agents to develop new lighter-touch compliance checks and safeguards for taxpayers. We see this as a fresh start, where, by working together, we can develop better proposals.

To see how best to improve our telephone service to agents, we are conducting pilots in our Manchester Contact Centre. We are also planning to launch a pilot for Customer Relationship Managers for agents. And we hope to launch an email experiment soon.

Our aim is to significantly improve relations with agents, work much more closely with them in running the tax system and so make it easier for taxpayers to deal with their tax and get things right. Senior management colleagues are visiting events organised by ICAEW, CIOT and local Working Together and we would be happy to receive other invitations.

Finally I would like to thank Working Together partners, both nationally and locally, for the tremendous commitment which they show, and which we very much appreciate."

Accounts Required to Satisfy a Notice to Deliver a Company Tax Return

This is to let you know that we have reminded our local offices that we require the full accounts that the small or medium sized company must prepare by company law. These are the full accounts that a company needs to draw up for its members under Sections 226 and 226A of the Companies Act 1985, and not the abbreviated accounts that a small or medium sized company can file with Companies House under Sections 246 and 246A Companies Act 1985.

Redesigned Main Tax Return

April 2008 will bring some major changes to the Main Tax Return with the introduction of a new, redesigned Tax Return for individuals and an improved HMRC SA Online application.

The Redesigned Main Tax Return

The redesign of the Main Tax Return is the last of the SA Review's recommendations to be implemented. The main aim of the redesign was to make the paper form easier for our customers, particularly the unrepresented, to complete.

The redesigned Tax Return builds on the success of the Short Tax Return and shares many of its features. During its development we undertook research and analysis: taxpayer, agent and staff focus groups, informal consultation with a working group of external representatives, and numerous rounds of usability testing with Self Assessment customers. In addition, we ran a pilot of the new form with 7,500 of our customers. The findings from the research study conducted into customer experience of the new redesigned Return have been positive with most people finding the redesigned form easier to complete and understand. The Main Tax Return pilot has been subject to an independent evaluation and the results are very encouraging. The results reinforce our own findings from the usability testing.

The 2007-08 draft Tax Return forms can be seen on our website using the following link
http://www.hmrc.gov.uk/sa_drafts/pdf-2007-08.htm

The Main Changes to the Paper Main Tax Return are

- Visual impact - the redesign is in a format suitable for automatic data capture which makes the form look more spacious and less cluttered. Colour has been used to help identify some sections more clearly.
- Order of questions - in the current Tax Return a person's main source of income, whether employment or self-employment etc, appears on supplementary pages attached at the end of the form, after the declaration and signature. The new form brings these sections of the Return to the front, ensuring that the recipient can answer questions most relevant to them first.

- Additional Information page – many of the questions on the existing Return are fairly complex questions which affect a relatively small number of people. The new Return has a separate supplementary page containing the less common types of income and tax reliefs, but unlike other supplementary pages (e.g. for capital gains or foreign income) this page will be sent with every Return.
- Number and description of questions – across the Return we have where possible reduced the number of questions. For example, the new Tax Return now only asks for the net figure for taxed savings income as our system automatically works out the gross and tax figures.
- Self-employment section – we have introduced a new 2-sided short self-employment page with fewer questions for smaller businesses with relatively straightforward tax affairs. We estimate over 2 million small businesses should be eligible to receive the shorter page.
- Repayment to charity – we have introduced a separate form drawing attention to the SA Donate facility for those who want to donate their tax repayment to charity.
- Guidance – we are in the process of simplifying and streamlining the guidance we send to unrepresented taxpayers, removing the more technical and infrequently used guidance to Help Sheets.

We are also redesigning our SA Online application to reflect the changed content and to build on and improve the customer experience in using the application. In particular, the new online application will be more intuitive, attempting to provide a Tax Return tailored to the individual's needs. More use will be made of pre-populated data enabling the customer to make fewer errors and a completely new User Interface will be developed. Options for design of the new application are currently undergoing internal review and early usability with external customers.

Large Business Service - Operating Model

We have published the LBS Operating Model, "Working with Large Business". This booklet describes how we in LBS will work with our customers to provide high quality customer service - joined up across United Kingdom direct and indirect taxes - and to help our customers understand and meet their tax obligations. In particular, "Working with Large Business" identifies and describes five Key LBS Business Processes that, taken together, provide a clear picture of how LBS operates.

www.hmrc.gov.uk/lbo/operating-model.htm

Advance Funding from Your Accounts Office for Statutory Payments

To support employer requests for funding to pay Statutory Payments we have introduced e-mail facilities on our website for sending Structured Enquiry Forms (SEFs) to the Accounts Office.

You might like to advise your clients that as an alternative to writing to their Accounts Office for funding to pay SSP, SMP, SAP, or SPP, where the amount of money they need to pay out exceeds the amount of tax and NICs they will have available for the same tax month or quarter, they or you can use the structured email facility on our website to send your request.

Go to www.hmrc.gov.uk/employers/statpayments-recovery.htm

- Click on the relevant Statutory Payment i.e. SSP, SMP, SAP or SPP.
- Complete the details required within the structured e-mail and send it.
- You or they will receive an acknowledgement that the request has been received and advice that it should be processed and payment issued within 4 working days.

For further assistance please contact the Employer Helpline on 0845 7 143 143

Recording Deferment of Class 4 NI Contributions on the SA Return

Customers with deferment of Class 4 National Insurance Contributions (NICs) are required to pay Class 4 NICs with their tax at a rate of 1% on all profits above the Lower Profit Limit.

Some customers with deferment have not noted their Return for the relevant tax year. Because deferment has not been noted on the Return, Class 4 NICs have been paid at the full rate of 8% instead of the 1% rate that should have been paid.

Deferment of Class 4 NICs can only be granted by Deferment Services, who will send confirmation details on form CA2703 ("Granted Deferment of Liability for Class 2 and Class 4 National Insurance Contributions"). Deferment Services will assess and collect any **deferred** Class 4 NICs.

Can we remind customers with deferment that they should tick the deferment box on the Return, but only when form CA2703 has been received from Deferment Services, and **only** for the tax year to which the form CA2703 refers.

Local Working Together Groups

Working Together is a working forum between the major professional bodies representing tax advisers and HMRC. It has two main functions

- to strengthen local liaison between tax advisers and local offices and
- improve the operation of both the direct and indirect tax systems administered by HMRC.

Significant work is currently taking place to ensure that Working Together continues to respond to customer needs and, particularly, to revitalise Local Working Together.

Under the Area Management structure, where typically the Area Director Compliance was responsible for organising meetings, we had over 60 local Working Together groups. We are aware that reorganisation, particularly in the ex-Inland Revenue Area Offices, resulted in some groups closing or meeting less frequently. Where groups have apparently ceased to operate we have been making further enquiries with organisers to establish the reasons and identify the options for these groups.

HMRC is committed to the role and success of Working Together and it is an integral part of the work going forward on the department's relationship with agents. Under the new arrangements for Local Working Together, Local Compliance, with the support of colleagues from other business areas, will take responsibility for the organisation and administration of meetings/groups and we are in the process of communicating these changes to organisers.

We are also, as a matter of urgency, reviewing the current content on the Working Together pages of the HMRC website. The Working Together site is seen as an important means of communicating to a wide audience, particularly information relating to the resolution of issues sent to the Working Together team by local groups. Whilst improving the content will be an ongoing task initial changes to improve the look and usability of the site will be evident from early June. From a wider perspective, and following telephone research with agents, we are also looking at ways in which we can improve communication between HMRC and agents. We will let you have further details in the next issue of Working Together.

Specialist units for Research and Developments Tax Credits Opened

In November 2006, HM Revenue & Customs opened seven specialist research and development (R&D) tax credit units around the country. The units deal with all R&D tax credit claims from companies other than those dealt with by the HMRC Large Business Service. The units are located in

- Croydon
- Cambridge
- Leicester
- Maidstone
- Manchester
- Southampton
- Cardiff (covering Wales, Scotland And Northern Ireland)

Further information on the specialist units and general information on how to claim R&D tax credits is available at: <http://www.hmrc.gov.uk/randd/index.htm>

HMRC Online Services Carter Implementation – Latest News

Over the forthcoming months, HMRC will be running a road show of local workshops around the country (aimed in the main at small to medium-sized agents). The events have been designed in close cooperation with both national and local Working Together groups, and will allow local agents to:

- hear our latest plans for online tax services
- discuss the implementation of those plans and feed into our design process
- understand the benefits which online services can bring to their practises; and
- find out more about how to use online services.

Agents within the target categories and areas will receive a personal invitation, and we will publish a schedule of upcoming events on the Internet soon, but in the mean time, if you'd like to check for events near you please contact marketing.online@hmrc.gsi.gov.uk.

We are holding three-way discussions with tax agents and software developers around paper substitute Returns for Self Assessment, to develop a practical solution for those taxpayers who are not yet able to file online. To clarify in response to questions we have received, many of the pages not yet available through the HMRC free software product **can** already be filed online though some third party software packages, including:

- SA101M - Ministers of Religion supplementary pages
- SA102 - Share Schemes supplementary pages
- SA106 - Foreign supplementary pages
- SA107 - Trusts etc supplementary pages
- SA108 - Capital Gains supplementary pages
- SA109 - Non-residence

You can find further information, including a detailed HMRC paper about our plans for paper substitutes and the timetable for key Carter changes following Budget 2007, here: <http://www.hmrc.gov.uk/budget2007/carter.htm>

Claims Form – Form R40

The R40 Claims form is used annually by some 600,000 HMRC customers to claim tax back that has been deducted from bank/building society interest, etc. A new version of the form was issued in April 2007.

As a part of the Self Assessment Review a decision was taken in 2003 to re-design the R40, to make it easier to complete, and to match our customers' needs more closely. The revised form uses the same look and feel as the Short Tax Return. It is written in plain-English style and is designed to be easier to understand and complete.

In consultation with customers and intermediaries we have sought to respond to criticisms of the old form, and take suggestions about the new form on board in the re-design. A pilot in 2005-06 and 2006 – 07 showed that a large majority of customers preferred the new form. Around 1000 Claims customers took part in a pilot to test the new form during 2005 and 2006, and each one was invited to comment on the re-design. Of those who commented some 69% were positive about the changes that we have made, with only 5% preferring the old form, and the remainder expressing no view. These results were borne out by workshops held with Claims customers in Bristol and Southampton in summer 2005, and telephone interviews with pilot customers that same year.

The Low Incomes Tax Reform Group was consulted from an early stage about the new form, and their views have been taken on board.

The R40 is not capable of being filed online.

The new form can be downloaded from our website:
<http://www.hmrc.gov.uk/students/fagr40.shtml>

Work and Families Act – Additional Paternity Leave and Additional Statutory Paternity Pay

Last year's Work and Families Act paved the way for the introduction of Additional Paternity Leave and Additional Statutory Paternity Pay.

The intention of the Act is that this will provide more choice for parents in caring for their child and give fathers a greater opportunity to be involved during the child's first year. Additional Paternity Leave will allow an employed father to be absent from work for a maximum of 26 weeks to care for the child before the child's first birthday, some of which can be paid leave. Equivalent provisions will also be provided for adopters.

To see the Government Response to the consultation commenced in March 2006, go to www.dti.gov.uk/employment/workandfamilies/add-paternity-leave/index.html

The aim of the Government is to introduce Additional Paternity Leave and Pay along with the extension of SMP and SAP to 52 weeks by the end of this Parliament – but you should note that although no final decision has been made on the exact date of introduction, it will not now be before April 2009.

For an outline of other changes the Work and Families Act introduced, which are already effective see recent issues of the Employer Bulletin and the Employer Helpbooks for 2007-08.

We will keep you updated on developments.

editorial

Working Together is a partnership between HM Revenue & Customs (HMRC) and CIOT, ICAEW, ACCA, ICAS, ATT and AAT.

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Back issues of these can be downloaded from our featured area on the HMRC website:
www.hmrc.gov.uk/working_together/publications/index.htm

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contact details

One of the key objectives of Working Together is to improve two-way communication between HMRC and tax advisers. If you have any comments please contact the HMRC Working Together Team, or your Professional Representative (contact details are below). If you are contacting your professional body, please make clear that your comment is about Working Together) or via your local Working Together Group.

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