



**ADMINISTRATIVE BURDENS
ADVISORY BOARD**

2021 ANNUAL REPORT

Better tax for Better Business

October 2021



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Foreword

The Administrative Burdens Advisory Board, also known as ABAB is made up of members with a wide range of relevant, current knowledge and expertise. We are independent, representing a cross section of businesses and professions. We offer constructive challenge and support to HMRC by championing the views and concerns of the small business community. Between quarterly board meetings, our subgroups meet frequently, and our members regularly comment on to more detailed discussions, including at internal HMRC meetings and events.



Teresa Graham
ABAB Chair

At the time of writing this report, COVID-19 restrictions are being relaxed but caution remains. It is also very clear that the impact of the pandemic will be felt by small businesses and others for years to come. Throughout these unprecedented times, ABAB have been listening to and supporting small business and their representative bodies, understanding their challenges and pressing for easements wherever possible. While recognising that all businesses have been affected and everyone's lives have been touched in some way by COVID-19, I believe that small businesses have been disproportionately impacted by the cumulative aspects of the pandemic and difficult decisions taken. Regrettably, some small businesses are no longer trading, but there have been successes: identifying innovative ways to adapt, diversify and innovate to not only survive, but to thrive in this difficult climate.

We have had to change our 'normal' approach, moving away from face-to-face board meetings to more regular, real time virtual calls, embracing digital ways of working. I appreciate how quickly Board members adapted to ensure they keep in touch with businesses everywhere and continue our constructive, responsive discussions with HMRC. I'm delighted to confirm there was no pause in engagement, and we actively supported HMRC in discussions around the introduction and improvement of COVID-19 Support Schemes, notably the larger schemes like the Self-Employed Income Support Scheme and the Coronavirus Job Retention Scheme – but also around all aspects of tax administration which needed changing to accommodate the restrictions and challenges. I was hugely impressed by the quality and speed of the work HMRC undertook and delivered around the many schemes and easements – and also the consideration and difficulty of the decision making to support policies and systems designed at speed to support all businesses,

including the self-employed. It is easy to forget that HMRC staff too were confined to their homes when these schemes were developed and launched.

Despite 2020 being the year most of us (I think) would like to forget, there have been some highlights where ABAB has made progress and made a real difference. Key areas have been UK Transition after Brexit and Making Tax Digital, critically assessing HMRC's performance in these areas and paying careful attention to the level of administrative burden which often disproportionately affects small businesses.

- Making Tax Digital for Business: HMRC published revised customer cost estimates for smaller VAT registered businesses after working with ABAB members to understand the likely customer experience of transitioning to and complying with MTD.
- the ABAB Board and the ABAB UK Transition Working Group supported HMRC to prepare for the end of the UK Transition period and have been instrumental in sharing insights with HMRC after this event. The relationship delivered activities via live online workshops, which included 'road-testing' of new guidance products for GOV.UK. Our recommendations were used by HMRC to improve their guidance for all businesses – an approach which is helping to establish the next steps needed for businesses to settle into 2021. There is no doubt that the impact of Brexit was a painful process for a great number of businesses and that pain is unlikely to go away any time soon.
- our Tell ABAB survey has been very successful and I must thank all 5,700 respondents: we listen carefully to what you say which feeds directly into our agendas and meetings.
- the then Financial Secretary to the Treasury, the Rt Hon. Jesse Norman MP, attended the ABAB November Board to listen to us and express his appreciation directly to the Board for their continuing work in support of small businesses and to share his vision for the future.

Looking forward, all these will continue to be on our agenda and we also need to catch up on topics paused or affected by the prioritisation of COVID-19 related work. These include:

1. Easements - exploring with HMRC whether some of the easements put in place should become permanent, require further extensions, or be allowed to close as relevance wanes.
2. Payrolling Benefits in Kind– regrettably, there was a pause in this work due to COVID-19 priorities but HMRC have advised they are putting renewed focus into this area.

I would like to take this opportunity to welcome Asif Ahmed who joined the ABAB Board in February 2021. Asif is a Chartered Accountant who trained and qualified with a Big 4 firm and then started his own business. Asif brings expertise in working with start-up companies and with contacts in the younger age bracket which the Tell ABAB report is increasingly aiming to reach in our annual surveys. Asif also has experience of being consulted on several Office for Tax Simplification Reviews.

This coming year sees a further two new Board members joining, Kevin Sefton and Jeremy Coker. Kevin brings a wealth of knowledge as a qualified accountant and through various digital projects to help SME businesses simplify and automate their personal taxes. This work has allowed him to observe, at first hand, people's approach to and understanding of taxes. Jeremy is a Chartered Accountant and Tax Adviser, with specialty areas in individual clients and owner managed small and medium sized businesses. Most recently he held the title of President of the Association of Taxation Technicians and now continues as a Council Member.

But I am sad to announce the forthcoming retirement from the Board of John Whiting. John has been relentless in his efforts to reduce administrative burdens on businesses; he has supported me tirelessly both as Board Chair and personally. The fact that we are appointing three new members in his place is testament to how much we have relied on John's skills, expertise and diplomacy in the past! John - you will be sorely missed.

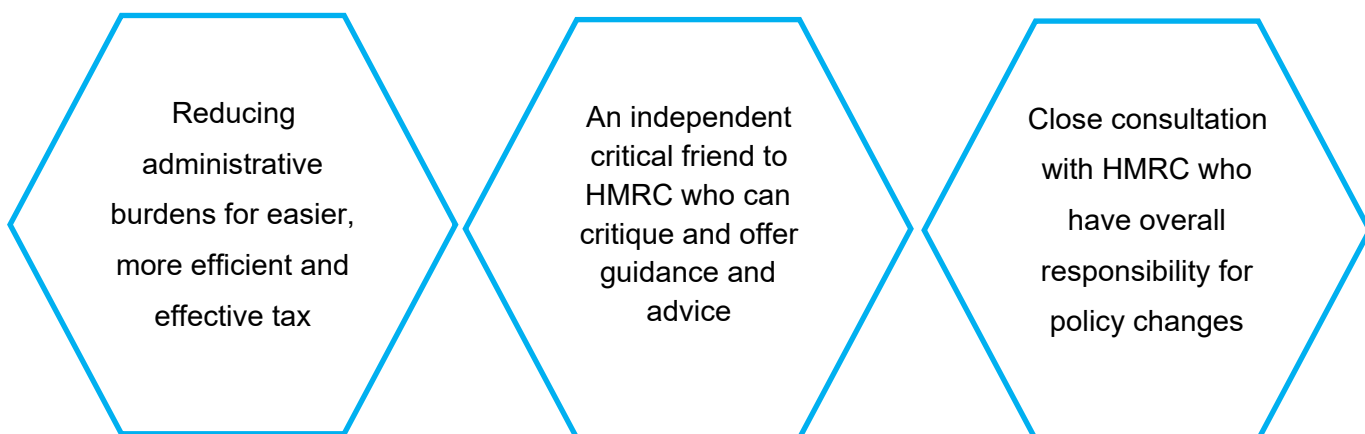
As Chair of the Administrative Burdens Advisory Board (ABAB), I remain committed to, and passionate about, making a noticeable difference for small business by supporting HMRC to help make tax easier, quicker and simpler. If you would like to comment on this Report or help us with our work, please contact: [Admin Burden Advisory Board](#)

Dame Teresa Graham DBE

Introduction

ABAB is a group of small and medium business operators and advisers who meet regularly with HMRC and report annually, as an independent body, to the Financial Secretary to the Treasury. Our primary goal is to 'make a noticeable difference' for small businesses, particularly in relation to the administrative burdens imposed by the tax system. We are not a statutory body; we exist by invitation of HMRC. Our approach is, therefore, to operate as an independent and unpaid 'critical friend' to HMRC, offering constructive challenge and support. We remain firmly committed to the goal of a simpler and easier tax system for small businesses.

Our Goals



This report covers our work from April 2020 to March 2021 - an extraordinary and challenging year.

The priorities ABAB set out in last year's report for 2020-21 were:

- prioritise and address the key administrative issues impacting small businesses including COVID-19,
- particularly the impact of the pandemic, how the schemes will wind down and how the exit from COVID-19 schemes is managed
- UK Transition/post UK Transition
- Making Tax Digital for Business
- customer Experience
- culture and capability for listening

So what has ABAB done during 2020 to 2021?

- **Impacts of COVID-19**

ABAB Board members have continued to keep up to date with the latest news and information on HMRC's COVID-19 schemes, notably the Self-Employed Income Support Scheme and the Coronavirus Job Retention Scheme with HMRC providing a regular summary of both the steps they have or are taking to help support the UK economy during the Coronavirus outbreak.

ABAB provided updates to HMRC on the impact of COVID-19 on small businesses, including insights on how small businesses will be impacted when COVID-19 support is withdrawn. Some small businesses have advised that the on-line (digital) approach has helped them, but too many others are saying that it has added burden.

HMRC consulted ABAB's Customer Experience Working Group on how COVID-19 has affected the construction industry. Based on questions posed by HMRC, examples of Working Group's input are:

- Project financing: has been affected overall; not so much the lenders pulling out, but rather individuals not being able to buy the house, or the businesses no longer wanting to complete the project as originally envisaged. This is not necessarily abandoning the project but delaying it until the economic environment is clearer.
- Litigation: on delays which may begin to surface as the pandemic continues and affects construction projects - what is a justifiable delay for a contract due to COVID-19? And where does the responsibility sit? This will be a considerable burden on the construction sector.
- Impact on cash flow and time to pay: this will need careful consideration going forward – both in the short term, but also during critical periods in the Spring and Summer of 2022. ABAB will focus attention on how HMRC responds, reviewing communications on tax debts accrued over the pandemic. HMRC need to understand that tax debts are falling due at the same time that other government support is winding down.

ABAB has also been active in putting forward potential easements to HMRC, to assist businesses both during the pandemic and also as the COVID-19 schemes wind down and we reach the new 'business as usual.' ABAB will continue to work with HMRC to identify changes that are effective, affordable, targeted, deliverable - and importantly, not open to abuse - that will shape and align with HMRC's ongoing work to build 'a modern and trusted tax administration system.'

In particular, ABAB will continue to support the HMRC Customer Journey team as they develop the Covid/UK(T) 2021/22 journey as well as a more in-depth COVID-19 cross scheme journey. The latter focuses on a small business which is trading in the UK and accessing the self-employed income support scheme, navigating the waters of no cash flow into the business and then beginning the rebuilding journey as the economy opens up. We will include more detail on this journey in ABAB's 2022 Annual Report.

1. UK Transition/post UK Transition Period

The ABAB Board, and more specifically ABAB's UK Transition Working Group, have engaged with HMRC on EU Exit and UK Transition/Post-Transition readiness processes for several years. Engagement has been both proactive and reactive, helping HMRC trial and shape transition communications and products.

During the Autumn of 2020, in preparation for the end of the Transition Period, the working group tested HMRC communications and products during a number of online workshops. New pre-published guidance products for GOV.UK were 'road-tested,' with various ABAB recommendations used to improve HMRC guidance for businesses. Our feedback was taken directly into HMRC's Trader & Industry Readiness Taskforce (Chaired by Director Strategy, Borders & Trade) and to communications teams and product owners to review – helping to shape the improvements.

Most notably, ABAB's recommendations led to improvements in HMRC's Interactive Checklist 'How-to-Guides' on importing goods from the EU into GB and exporting goods from GB into the EU, both from January 2021.

This work was completed outside of scheduled meetings, often to very tight deadlines. We hope it contributed in some part to an improved readiness position for small businesses, as changes were being implemented for the end of the transition period and beyond.



Furthermore, from the first days of 2021, the working group has been instrumental in providing 'hot off the press' customer experience insights following the end of the transition period, helping HMRC to understand early impacts on businesses. We have worked closely with HMRC's Strategic Insight Management Team, who were enthusiastic about working with the members. The Team genuinely welcomed our feedback and desire to collaborate, allowing them to take ABAB's insight and make a difference in supporting small businesses. In turn we welcome and appreciate the way the HMRC team actively sought out our input and used it constructively.

Building on that success, ABAB has been engaged by Lord Agnew, Minister of State at the Cabinet Office, to help HMRC improve customs simplifications and fulfil the 2025 UK Border Strategy and 2030 HMRC Strategy. We are delighted to support this request, which is an endorsement of ABAB's profile at the highest levels of government.

2. Making Tax Digital for Business

ABAB have continued to engage closely with HMRC on the next phase of Making Tax Digital for business. This follows the Chancellor's announcement last July that Making Tax Digital will be extended to all VAT registered businesses from April 2022, and to Income Tax Self-Assessment customers from April 2023 (which was extended to April 2024 on 23 September).

The Board's focus over the past year has been to advise on HMRC's reassessment of the cost assumptions of complying with Making Tax Digital for VAT and Income Tax Self-Assessment. HMRC published an indicative overall assessment of programme costs in July 2020. ABAB's insights, alongside the extensive work HMRC carried out with stakeholders from the tax and business communities between Summer 2020 and Spring 2021 have shaped the revised cost assumptions that HMRC published in March 2021 for smaller Making Tax Digital VAT businesses. They were also key to the development of the Making Tax Digital for Income Tax Self-Assessment estimates published 23 September 2021 alongside regulations.

Following our collaborative work on Making Tax Digital costs, we believe the revised estimates now better reflect 'real world' customer experience and likely impacts, including

more realism about any cost savings. For example, the estimates acknowledge that customers will be more likely to spend increased agent time to help them with familiarisation of Income Tax Self-Assessment obligations than was originally envisaged. ABAB also argued that the experience of customers transitioning to Making Tax Digital will be diverse depending on the customer's starting point on their digital journey and complexity of their tax affairs. Following discussions with ABAB, HMRC developed a variety of case studies to give some illustrative examples of the different journeys customers may face and the indicative costs. These case studies were published alongside the Making Tax Digital for Income Tax Self-Assessment Tax Information and Impact Note (TIIN) that accompanied the regulations.

ABAB welcomes the transparent and rigorous approach that HMRC have taken in reaching estimates of the cost to business of Making Tax Digital, ABAB agree that the revised costs are a more realistic appraisal of the likely costs that businesses will face. This compares with the earlier estimates published in July 2020 which



we strongly challenged with HMRC as unrealistic and naive.

ABAB's view remains that a modern enhanced digital tax system will support small business growth if implemented in the right way, at the right pace, and if it is acknowledged that Making Tax Digital is just one part of the digital journey SMEs need to take to remain competitive; tax is not and will never be the only driver.

As we progress towards the April 2024 implementation date for Making Tax Digital Income Tax for Income Tax Self-

Assessment, ABAB will continue to monitor the potential costs and benefits. We will focus particularly on encouraging HMRC to incorporate features – such as prompts and nudges to help avoid common errors and signposting to relevant guidance and reliefs – that will be seen by small businesses as genuinely helpful. It is important that businesses see Making Tax Digital complementing the commercial and practical benefits of digital technology, to counterbalance the new compliance obligation.

3. Customer Experience

ABAB's Customer Experience Working Group is involved in more detailed examination and engagement over the 'big ticket' issues that fit both the ABAB's Board priorities as well as critical concerns for small businesses. Working in this way, ABAB has been able to influence both the overall direction of key initiatives and, equally importantly, to focus on the detail - wherever we believe that a deeper dive is necessary. Here we highlight some topics where the working group has been working with a range of HMRC teams:

1. **Small Business future ambition**

The working group has continued its work, originally started in 2019, with the Small

and Mid-sized Business Strategy Team on understanding the diversity of the small businesses population which fall into the 'Small and Medium Enterprise' framework. ABAB has emphasised the need to understand the number of 'true businesses' by highlighting the importance of being able to identify which businesses are registered as a legal entity for tax purposes but do not trade. This work has tied in well with the working group's conversations with the Mid-Sized Business Customer Engagement team whose work focuses on making it easier for businesses to interact with HMRC and get the support they need.



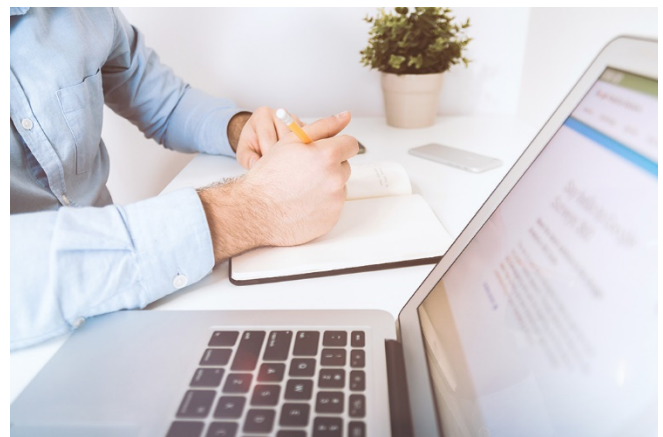
However, there is still a lot of work needed to develop a robust way to analyse the complex segmentation of the 'Mid-Sized' category. This will be an ongoing piece of work for ABAB in 2021.

2. Call for Evidence - raising standards in the tax advice market

The working group has also been involved in the call for evidence on raising standards in the tax advice market. ABAB's focus is on improving the experience for small business, with emphasis on consumer protection through market transparency, leading to the overarching outcome that consumers can trust and have confidence in the advice they receive. ABAB's members have in the past voiced concerns about protecting the taxpayer from unscrupulous tax advisers who find supposed loopholes in the system and have gone unpunished when those alleged loopholes prove ineffective, leaving the business to sort out the mess. We will continue our engagement as HMRC take this project forward in 2021-22.

3. Tax Terminology Tool

The Tax Terminology Tool is another strand of work that the CEWG have continued their initial involvement in. HMRC colleagues are looking to increase the existing 5000 pieces of terminology within the tool and recently working group members were involved in an exercise scoring 'new' tax terminology items for inclusion. We had some initial concerns over the scoring scale but work in the Customer Lab allowed us to better assess the work of HMRC going forward. The group's view has always been that HMRC needs to be quick to react to changes in technology that could make it easier for small businesses to comply with tax obligations and that includes the simplification of guidance for the small business owner. Our aim is to help measure the effectiveness of future communications leading to improved understanding of GOV.UK website content and, in turn, more effective support for owners in running their businesses.



4. Culture and Capability for Listening

1. Tax Administration Strategy

In July 2020, HMRC published their Tax Administration Strategy for 'building a modern, trusted tax administration system', looking out over the next 10 years. ABAB is keen to be actively involved in various work strands across the Strategy – focusing its attention on key areas for small business – which are:

- extending Making Tax Digital
- real time information
- timely Payments of Tax

- building a secure and easily accessible single tax account
- improving Services for Agents and Representatives
- modernising tax admin framework (simplifying and modernising the underpinning legislation)

While ABAB broadly welcomes the vision, we have challenged HMRC to work collaboratively with individuals, businesses and intermediaries in developing solutions – and to be open and transparent on innate limitations, and the impacts on the customer.



2. Tax Admin Framework

The Tax Admin Framework has become a key deliverable of the Tax Admin Strategy, emphasising the need to make tax effortless for the majority of taxpayers.

This means thoughtfully reviewing the way in which responsibility is allocated between customer, adviser, software

provider and HMRC. ABAB was asked for feedback in October 2020 in addressing three questions around the important principles that should be included:

- priority areas for reform
- priority areas to retain (in order to preserve the current relationships with the tax system) and
- how to build trust with the customer in the tax administration system through the reform process.

ABAB focused on avoiding adding to burdens during policy change. Too often changes include small changes that may seem simple to the policy maker, but which add to the taxpayer's cumulative burden. Any systems change means relearning rules and processes and adjusting existing systems. Our focus remains on ensuring that changes by HMRC result in meaningful improved outcomes – and that those changes are necessary in the first place.

3. FST Joins ABAB Meeting

ABAB has a long-standing relationship with the Financial Secretary to the Treasury (FST). ABAB was invited by the FST in 2012 to take on a stronger role in terms of external scrutiny and challenge of HMRC's performance against its customer experience commitments, recognising members' expertise and the potential impact of their work to decrease administrative burdens for small businesses.

The FST in post at the time, the Rt Hon. Jesse Norman MP, attended the ABAB November Board meeting, where he highlighted his top three priorities:

- COVID-19 Schemes
- UK Transition
- Tax Administration Strategy

He started a conversation on 'consent' with the Board and how by working with

the taxpayer to attain their consent to collect tax due on their earnings, there was a stronger linking to a more positive customer experience and understanding of fairness for the taxpayer. He also highlighted HMRC's recent work on:

- tackling promoters of tax avoidance,
- call for Evidence on Tax Professional Standards,
- customer Charter,
- customer Experience Committee.

These are all areas with which ABAB has been significantly involved, scrutinising and supporting the way forward to ensure positive impacts for small businesses.

The FST commented that the work of ABAB was 'highly appreciated' and went on to say that he was 'very allergic to saving money at the customers' expense'

Dame Teresa summed up the Board's comments:

'We are happy that we are being listened to more and more.'

4. Tell ABAB 2021

Building on the positive successes of last year's survey and the widening audience, we launched the Tell ABAB Survey, our yearly online survey that allows us to engage directly with small businesses. The survey encourages small businesses to have their say on various topics important to them. It provides insights so we have a better understanding of the issues faced by small businesses and shapes our priorities for the coming year.

Last year's survey generated over 5,700 responses, an increase of over 2000 responses on the previous year. We are very grateful to all those who took the time and trouble to respond and give us their views: issues raised feed directly through to our agenda and to what we say to HMRC.

This year's survey is planned for the autumn with hopes of further increasing our response rate, as well as widening the audience further – with a report to follow. ABAB is very proud of the reach of the survey and the year on year growth which provides us with more accurate

information from the 'front lines' of small businesses on their concerns.

Areas of concern highlighted in last year's survey included customer costs arising from the Making Tax Digital programme as HMRC continues to modernise its processes. ABAB has responded and have been actively working with HMRC teams. ABAB wanted to ensure that customer costing was more accurate and reflected the admin burden for small business which will inevitably be proportionately greater than on larger businesses. For small businesses, much of the focus is on navigating through the guidance and processes to understand what is being asked of them. Another area included in the survey, was the increased use of GOV.UK, publications by businesses and agents for support as we moved through the UK Transition period to 2021. ABAB has responded by continuing to work with the UK Transition teams to push for clear, tailored and relevant messaging across communication channels.



5. Off-Payroll Working Programme

ABAB continues to work with HMRC's Off-payroll working team, providing insight and advice on how to support businesses to prepare for changes and to reduce administrative overload. The team discussed the burdens arising from off-payroll working in July 2020, with a commitment to share the outcome of HMRC's review and provide ABAB with the opportunity to provide insights and feedback on this work. ABAB considered nine questions posed by HMRC to establish the burden impacting on small businesses and we agreed 'the (off-payroll working) approach was sound and reasonable'.

The team's Strategic Engagement lead acknowledged that 'it is important that HMRC continue our work to understand the burdens of the reform, and how HMRC might measure and mitigate them, as we proceed towards implementation in April 2021. ABAB's input has contributed to

improving HMRC's understanding and the estimated costs, as well as enabling us to look at our work across the Programme to ensure we are helping minimise these burdens as much as possible'.

HMRC concluded its review of the administrative burdens of the off-payroll reform at the end of 2020 and published updated admin burden figures at the March 2021 Budget. We also understand that HMRC has commissioned external research into the impacts of the off-payroll working reforms.

We are concerned that there has been limited visibility of work progressing in this space since the beginning of the pandemic. However, we equally recognise the need to balance our expectations with HMRC's focus on the C-19 schemes and recovery from the pandemic. We will be looking to push for more work and awareness in this area in late 2021 and 2022.

5. What's planned for 2021 to 2022

The ABAB Board will continue to focus their work on key administrative issues impacting small businesses, particularly the:

- impact of COVID-19
- winding down of COVID-19 schemes
- the management of the exit from COVID-19 schemes

Other key priorities for 2021/2022 will include:

1. Making Tax Digital for Business
2. Next Steps for UK Border & Customs and impact on Small Business
3. Tell ABAB Survey
4. Customer Experience
5. Culture and Capability for Listening

As we look at our plans for the next year and we begin the period of recovery, moving past the worst of COVID-19, but equally learning to live and work in the new, emerging environment, we will undoubtedly be seeing and experiencing changes. We will see the gradual tapering and then closure of the COVID-19 support schemes as businesses begin to reopen and trade.

We welcome HMRC's announcements of the 'cautious approach' to debt collection and measured strategy for compliance (outside of pursuing those deliberately seeking to benefit inappropriately). However, we equally recognise the anxieties facing many small businesses, coming to terms with accumulated debts, including tax debts at unprecedented levels, in a trading environment which is complex, fragile and uncertain for many. We will want to continue to work with HMRC to ensure they take full account of issues confronting small businesses starting to trade again, from delays and interruptions to supply chains, increased costs and other elements of uncertainty and complexity. We've identified the Spring and Summer of 2022 as a watershed period, so the supportive tone of communications and ongoing pragmatic approaches will be critical to successfully re-engaging and supporting businesses.

We look forward to another year of effective engagement, challenging discussions, sharing insights and working collaboratively with HMRC.

Board Members



Malcolm Bacchus



Rebecca Benneyworth



Roger Southam



Violetta Parylo



Dame Teresa Graham DBE
Board Chair



Paul Morton



John Whiting CBE



Karen Thomson



Bill Dodwell



Grainne Warner



Asif Ahmed



Paul Aplin OBE



Graham Rogers