

# Administrative Burdens Advisory Board

30 November 2020

## Minutes

Advisory Board attendees: Dame Teresa Graham, DBE (Chair), Rebecca Benneyworth, Paul Aplin, Paul Morton, Bill Dodwell, Roger Southam, Karen Thomson, Grainne Warner, John Whiting, Violetta Parylo, Malcolm Bacchus

HMRC & HMT attendees: Lucy Pink, Jan Owens, Colin Shingler, Chloe Evenson (HMT), Gill Evans, Veena Natarajan, Sonali Parekh, Anna Thomas, Richard Fowler, Ady Garrett, Gina Jordan, Jeff Worrell, David Bagg, Richard Haward, Madeline McGrillen, Barbara Matus, Wahida Begum

Apologies: Graham Rogers, Ruth Stanier

### 1. Introduction

Teresa welcomed the ABAB Board Members and HMRC attendees to the meeting;

- Lucy Pink- Director, Jan Owens- Deputy Director and Colin Shingler attending from Customer, Insight and Digital Design (CIDD)
- Gill Evans, Director EU Transition Team and Veena Natarajan Head of Strategic Insight
- Bill Dodwell OTS Director/ABAB Board and Mark Pickard OTS- HMT Policy
- Malcolm Bacchus and Karen Thomson ABAB Board & Tell ABAB WG
- Anna Thomas Deputy Director, Strategic Policy & Design Team and Ady Garrett, Gina Jordan, Jeff Worrell - Policy & Design Team
- RT Hon Jesse Norman MP
- Apologies received from:
  - Graham Rogers – ABAB Board Member
  - Ruth Stanier - Director General HMRC
- Action Log reviewed and August minutes agreed.
- Teresa invited Rebecca Benneyworth to provide an update on the work around the HMRC Charter
  - Several meetings attended on the charter and it proved a very fruitful exchange. There was engagement from all professional bodies and views were put forward.
  - The Charter was a collaborative process, it was taken very seriously, and good ideas were brought to the table.
  - The Charter is slightly longer than expected but overall, the output is really good.
  - The Charter will now be used to report performance and staff will be trained to the Charter principles and then feedback given to the group twice a year.
  - The Charter will shape what HMRC does going forward and particularly in staff training.
  - HMRC are also thinking about ways it can be made more obvious in the complaints process.

ABAB Feedback

- 'Fantastic, that sound like a really good rundown, a great result!'

## 2. UK Transition

GE thanked the ABAB board and ABAB UK Transition Working Group for their ongoing support in EU Transition and readiness for the end of December. GE introduced Sonali who has joined to lead on external readiness activity for EU Transition as well as giving a general overview of what is happening with EU Transition.

- The UK Transition team are busy testing their business continuity planning and contingency.
- There is still a lot of work with policy and operational colleagues to ensure that the right guidance is being developed and it is tested and available.
- The Working Group have been 'invaluable' in the test and learn and helping develop products that are fit for purpose.
- Feedback from that work gets sent back into the overall readiness taskforce and to the specific guidance taskforce. They are very reliant on the external testing to ensure quality products are being developed.
- A lot of effort going into communications of information on GOV.UK website.
- Working with Cabinet office and others to ensure that the right level of guidance and support is being delivered.
- Release 2 - 55 scope items for delivery next year to end stage controls and complete the delivery of northern island protocol. A lot of work is going on to plan and scope that work to ensure a clear delivery path.

Mobile One Stop Shop (MOSS) comes to an end at the end of the year so it will be deregistered to UK and rest of the world businesses. Looking to send out detailed communications to all of those that are impacted on the 11<sup>th</sup> of December. There is also portal guidance and FAQs that are going live this week to add to the information that is already on GOV.UK.

### ABAB feedback

- It's been a constructive process, thumbs up that ABAB Working Groups points have been taken into account.
- For those that haven't already engaged or won't engage, is it worth thinking about a process to understand why and to smooth that over? A process is being looked at to identify those pinch points and where people are likely to find that they are not ready.
- If people who are currently registered for MOSS are being contacted, there will be a very large number of other people who are not registered for MOSS trading mainly through Etsy and other sites.

AP1: GE will take MOSS question offline and respond on how they are tackling that group below the current threshold numbers that may be impacted.

## 3. OTS Director's Report - Review of OTS Capital Gains Tax Report

Capital Gains Tax is one of the large major taxes reviewed by the OTS. A review is underway for Capitals Gains Tax and preparations for it began some months before the review was commissioned by the Chancellor. Mark Pickard is project leader for the review. BD presented Part 1 of the review.

- 2 Stage approach taken, OTS thought it was best to start with the principles and then move on to the detail. The first stage has now been published.
- The OTS has three strategic principles (see its Annual Reports) and considers that the part 1 review falls in the third principle. Those principles are;
  - o Quick wins
  - o Benefitting as many people as possible
  - o Doing a more difficult report for something that is potentially a longer-range piece of strategic type of work.
- The Chancellor has asked the OTS to look at behavioural distortions -essentially looking at where tax distorts economic, business or family choices. This is one of the key things to look at in part 1.
- The report does not have recommendations on what the Chancellor should do regarding rates. However, it recommends that if the Chancellor is concerned about behavioural distortions then he should either:
  - o Look at aligning rates more closely with income tax; or
  - o Look at the boundaries between what is taxed as Capital Gains Tax and what is taxed as income tax and decide if he is happy with where the boundary currently rests.
- If there are greater alignment of rates, it will need a relief for inflation. Also discussed if enough relief for losses is given.
- In relation to the boundaries, two were spoken about:
  - o Whether all gains from employees share arrangements were taxed appropriately.
  - o The ability of smaller companies to store up retained earnings.

MP presented Part 2 of the review.

- Call for evidence closed at the start of the month.
- Around 20 external meeting has taken place.
- Around 1200 responses to the survey.
- Part 2 doesn't assume that any of the recommendation from part 1 will be considered.
- Part 2 areas of interests for individuals:
  - o Exploring the practical operation of main residence relief.
  - o Separation and divorce – Being able to give assets to spouse/divorcing spouse on a no gain no loss basis in the year of separation. Proposing to extend the time.
  - o Keen to understand if the 30-day reporting on residential property can be made better or needs to be extended to 30 or 90 days.
  - o Decided to rule out a few areas that require reports of their own such as partnerships, trust etc.

ABAB Feedback

- 'Absolutely superb report'.
- 'Very well set and thought-out report. Some countries don't have a capital gains tax at all because they simply tax everything as income. Has abolishing capitals gains tax been considered at all?' No, there wouldn't be a massive benefit in completely getting rid of the tax.
- 'Most people really struggle with main residence relief and for those that do not have an advisor, it would probably mean that there will be a loss of revenue.'
- 'Great to hear on the spousal issue'.

#### 4. Tell ABAB Working Group

TG thanked Malcom and Karen for the work that has gone in to Tell ABAB Survey Report. MC went through the highlights:

- Report will be published on 3<sup>rd</sup> December.
- 5725 responses received from a range of businesses.
- There will be a lot of communications to support the publication of it in Agent Update and Employer Bulletin.
- The report was focussing on MTD, small business communications, legislative burden and EU Transition.
- Summary of the survey:
  - People are a lot happier now with the signups for MTD.
  - Positive responses from EU.
  - Majority of businesses feel that the legislative burden is continuously increasing.
- The section on interaction with various channels shows that there is a move towards liking the online facilities.
- Plan to continue monitoring the admin burden and the transitioning out of UK Transition period on the next survey in early 2021.

#### ABAB Feedback

- 'Considering the volume of information and comments, I want to say thank you to HMRC for making it much easier to read the report and understand what came out of it.'
- 'Thank you to Malcom, Karen and the HMRC team for all the work that has been put into this. The report looks great.'

#### 5. Making Tax Digital (MTD)

5.1. AG gave an update on customer cost estimates for MTD, VAT and ITSA. Since the last meeting, a lot of work has been carried out to build on the estimates that was presented back in August. AG showed what stakeholder conversations have led to changes.

- Areas of greatest concentration were on based on July figures:
  - The time spent to submit the ITSA updates on a quarterly basis
  - The cost of the accountancy services
  - Businesses that require accountancy services
  - Businesses moving to MTD processes
  - Businesses that would require new/additional hardware
  - Businesses that would be eligible for free software usage
  - Actual cost of software itself
- The new cost will represent the increase for those that were previously published.

#### ABAB Feedback

- 'From a small business point a view, a new development in MTD is one thing building on another and they see it as an accumulation rather than a sequence.'
- 'The small business community is very granular, the effect of a new burden on a Nano business is very different compared to Micro business and different to SMEs.'
- 'It's brilliant that VAT has been added, that is a signal that it is really being thought out'
- 'How are communications made to people that do not regard themselves as a business but have a property that they rent out to help pay for costs in retirement. A lot of those people are not IT literate. '

AP2. Ady to arrange a separate meeting to discuss details on current costs.

#### 5.2. JW and GJ gave an overview on Making Tax Digital for Corporation Tax Consultation.

- Launched consultation on Making Tax Digital for Corporation Tax on 12<sup>th</sup> of November and published a document on GOV.UK.
- Remains open until early March 2021.
- Considers a range of issues relating to the design of any MTD for Corporation Tax service.
- Keen to build on the benefits that Making Tax Digital has delivered through rolling out other services and are confident that now is the right time to have conversations on design.
- MTD want to ensure they have a wide range of views to help shape the design. Experience with MTD so far has demonstrated that the best outcomes are achieved when working closely with stakeholders.
- MTD will be running some virtual events in January and February which will walk through the consultation in more detail. MTD want to be able to canvass those opinions and see where the opportunities and challenges are so this can be planned into the design. Sessions will be across all the different parts of the business populations from large businesses to small businesses as well as rep bodies and agents.
- A simplified, online consultation aimed at smaller businesses will be launched early in the new year. This will give small businesses a voice on how they see MTD for CT going forward in the future.

AP3. GJ to let MG know when the MTD engagement virtual events will be so board members can fit it in their diary.

#### 6. Financial Secretary to the Treasury (FST)

TG welcomed RT Hon Jesse Norman MP and gave a brief background on ABAB.

- RT Hon Jesse Norman MP welcomed the questions ABAB have sent ahead of the meeting and outlined his top three priorities: Top 3 priorities:
  - Covid-19 Schemes
  - UK Transition
  - Tax Administration Strategy

FST hopes that his approach is changing the tempo and breadth of the conversation with taxpayers, focusing on the Consent of the taxpayer so that Taxes are levied in an equitable way and ensuring a positive customer experience and fairness. Highlighting HMRC's recent work on:

- Tackling promoters of tax avoidance
- CfE on Tax Professional Standards
- Charter
- Customer Experience Committee

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

#### ABAB Feedback

- 'In terms of the Covid-19 schemes, HMRC have been incredible rolling them out.'
- 'We are happy that we have been listened to and we are being listened to more and more.'
- 'Picked up on use of the word Consent – so important and a key theme. Been lost sight of in recent years. If we want an operating self-assessment system, fundamentally collecting tax lies on the consent from the taxpayer.'

#### 7. AOB

- Feedback to be provided to off- Payroll Working Programme on papers submitted.