

UNCLASSIFIED

Minutes

MID-TIER AGENTS FORUM

Friday 13 September (10:00-12:00)
Room 2/39, 100 Parliament Street, London SW1A 2BQ

Chair: Theresa Middleton HMRC (Director, Business Customer & Strategy)

Secretariat: Ian Quelch HMRC (Business Customer & Strategy)
Monica Saunders HMRC (Business Customer & Strategy)

Attendees: David Barton Baker Tilly
Richard M Jones BDO
Andrew Hubbard RSM Tenon
Tim Davies Mazars
Norma Chisholm Moore Stephens
Mark McGarry Saffery Champness
Jane Cleaver HMT
Narmada de Silva HMRC (RIS)
Mike Crabtree HMRC (Specialist PT)
Hugh Hedges HMRC (Central Policy)
Mark Neal HMRC (Local Compliance)
Mike Pettit HMRC (Large Business Service)
Michael O'Callaghan HMRC (Large Business Service)
Pardip Bans HMRC (Business Customer & Strategy)
Elaine O'Donnell HMRC (Business Customer & Strategy)

Apologies:

Lisa Macpherson	BDO
Stephen Nixon	Crowe Clark Whitehill
Jonathan C Riley	Grant Thornton
Jacqueline Kimber	Moore Stephens
Tim Lyford	Smith & Williamson
Chris Davidson	HMRC (CTISA)
Ian Stewart	HMRC (Indirect Tax)
Alan Tume	HMRC (Large Business Service)
Ann Chinner	HMRC (Local Compliance)
Denise Walsh	HMRC (Business Customer & Strategy)

1. Welcome and introductions

The Chair welcomed attendees to the meeting and introductions were made. Agent representatives confirmed the acquisition of RSM Tenon by Baker Tilly.

2. Minutes of last meeting & matters arising

There were no amendments to the minutes of the last meeting and the minutes were adopted.

Action points and issues arising from previous meeting – action point 1 had been resolved and action point 2 is on the agenda as item 5. Finally no comments were received on whether to have a sub group to deal with indirect tax issues so it was decided for the forum to continue as usual for now.

3. Update on the OECD work on Base Erosion and Profit Shifting (BEPS)

Jane Cleaver (JC) updated the forum on BEPS action plan. The OECD has now published its Action Plan, consisting of 15 points covering a broad range of issues with details of how each action will be progressed and indicative timetable.

The UK has made a significant contribution in kind to the process including technical input. There has been a huge amount of collective work and significant degree of international consensus around the issues involved but each country has its own priorities amongst the actions.

The OECD work is based on the principle that profits and taxing rights should be linked with the economic activities that generate these. The actions are based on three core principles: **coherence, substance, and transparency**, plus one which relates to developing an instrument that countries can use to implement the measures developed in the course of the work.

The actions include:

- development of a **digital task force** to look at the challenges faced by the digital economy – indicative timescale is 2 years.
- international **coherence** for corporate tax, to complement the standards that prevent double taxation with a new set of standards designed to avoid double non-taxation. Areas include hybrid mismatches, Controlled Foreign Companies, interest deductibility, harmful tax practices etc. Current rules may work well in many cases, but might need to be modified to prevent instances of BEPS.
- focus on aligning taxing rights with substance to prevent treaty abuse, avoidance of permanent establishment status and to ensure transfer pricing outcomes are in line with value creation.
- focus on improving transparency through improved data collection and analysis regarding the impact of BEPS. Includes taxpayers' disclosure about their tax planning strategies, less burdensome and more targeted transfer pricing documentation. This also includes developing a template for multinationals to provide tax authorities with much needed information on their global allocation of their income, economic activity and taxes paid between countries – as the G8 requested in June.
- **actions to make dispute resolution methods more effective**, documentation requirements for transfer pricing purposes - the OECD have already released a White Paper, for comment by October 2013.

The work is being overseen by the OECD Committees on Fiscal Affairs and various working parties. The UK is represented by HMT and HMRC.

Agent representatives asked if the timetable is long enough, given the wide range of stakeholders to engage is vast and likely to take many years to implement due to the many countries involved?

JC explained the process and principles highlighting actions which would progress quicker than others. Acknowledging the timescales but noting that there is already consensus on some items, others would move more slowly and some do not have formal deadlines. She stated that there is ongoing engagement with businesses and the accounting firms and that this would continue.

Agent representatives asked how the OECD work links with ongoing work such as those being done with the International Accounting Standards? JC stated that this is out for consultation at the moment but will report back on this. Also to update a future meeting of the forum (the next one if necessary but definitely the March 2014 meeting) on the OECD work progress.

Action point 1: JC to report back on how the accounting bodies are feeding into the BEPS work.
Action point 2: JC to update the March 2014 forum on the Action Plan progress.

4. HMRC's approach to Risk Assessment for Large Business Service businesses

Michael O'Callaghan (MoC) presented HMRC's approach to managing tax risks in the Large Business Service.

Snapshot of the large business population

- c10,400 large businesses in UK:
 - cover a range of business sectors; audited and mainly publicly owned or owner managed businesses and with different risk issues.
 - account for about 60% of the revenue (CT, VAT & PAYE, other) that HMRC collects
 - account for about a quarter of the tax gap
- HMRC has Customer Relationship Managers (CRMs) for top 2000 businesses and Customer Co-ordinators for the remainder.
- The largest 800 businesses are covered by the Large Business Service (LBS) and the rest by the Local Compliance Large and Complex (L&C)
- LBS - in Business Tax - overseen by Melissa Tatton (Director) with Deputy Directors responsible for the geographical locations / strategic units. CRMs for each large business group and supported by Tax Specialists.
- L&C – in Enforcement & Compliance – led by Kevin Fletcher (Deputy Director), with regional / operational Assistant Directors. CRMs set up for the largest businesses and Customer Co-ordinators for the remainder.

HMRC's strategic approach

1. HMRC will invest in a resource-intensive, relationship-managed service for the largest customers, because the money and complexity involved make this the most cost-effective way of getting the right tax agreed early.
2. All parts of HMRC will work with a common set of risk priorities. HMRC will prioritise the highest risks. HMRC will resource to risk by customer behaviour; by threats to regimes; and by size and complexity.
3. In dealing with those who bend the rules, HMRC will prioritise 'upstream' effort; firstly changing behaviour through policy design and disclosure; then through rigorous case working

and where possible within established relationships and finally, where appropriate, through litigation.

4. HMRC will always seek to work issues in real-time with large businesses no matter what their tax strategy, which not only provides earlier certainty for the customer but also allows HMRC to detect avoidance more quickly.
5. HMRC's customers should have, or should buy in, the skills to fulfil their ordinary day to day tax compliance requirements, but HMRC will provide assistance to resolve uncertainty around complex or significant issues and commercial transactions.
6. All processing for large business customers will be via the normal channels. All contact, compliance interventions and exceptions will be co-ordinated through the CRMs and Customer Co-ordinators, ensuring coherent customer management.

Approach to assessing overall risk

- Various sources and tools are used to identify and challenge tax risk – involves data collection and analysis followed by discussion with the customers and their advisers. The customer's behaviour is also evaluated in terms of its internal governance, delivery and tax strategy. HMRC is keen to put tax on the Business' Board Agenda, engaging with customers including representatives at board level to ensure senior managers are sighted on tax issues and to resolve issues with the business. However in cases where disagreements cannot be resolved satisfactorily by agreement HMRC uses litigation.

The High Risk Corporates Programme (HRCP) and Managing Complex Risk

- Aims to improve compliance, transparency and used to address corporate behaviour and to improve HMRC's technical capability to deal with the largest and most challenging tax risks. The programme which has been running since 2006 has brought in additional revenue of £13.7 billion and has helped to reduce numerous outstanding tax issues.

Agent representatives asked if HMRC get assistance from external agents to improve its technical capability?

MoC said yes and that whilst the department is trying to disseminate good practice, money is spent to up-skill HMRC's staff and also to recruit temporary people with specialist skills and knowledge.

There were some discussions around how customers on the cliff edge are treated by HMRC.

Ian Quelch explained that the department has undertaken detailed customer insight work into mid-size businesses and is aware that the customer population falls between two of HMRC's strategic approaches. The insight will be published next year and will be shared with the forum at a future meeting.

Action point 3: HMRC to share the findings of the Mid-size Businesses Project with the forum members.

5. Review of the Terms of Reference - discussion

The Chair reminded members of the discussion at the June meeting on the group's terms of reference (ToR), with the action held over (action point 2 of previous minutes), and introduced Pardip Bans, who had been asked to undertake a brief review of the ToR.

Based on the views expressed, it was agreed that HMRC would offer a revised ToR for agreement at the next MTAF in December for agreement.

Discussion also covered future membership of the MTAF.

Action point 4: HMRC to revise the ToR, circulated for comments ahead of the December meeting.

6. Update on Agent Strategy

Elaine O'Donnell (EO) provided an update on HMRC's Agent Strategy. The digital evolution is part of HMRC's programmes to deliver change via a series of new or improved services to customers. HMRC is working with Government Digital Services in the design and implementation of our digital exemplar services, aiming to design in line with the Cabinet Office vision of products which can be expanded across government.

The strategy comprises **four digital exemplar services** to transform the way HMRC interacts with its customers:

1. **PAYE Online** – to enable amendment of PAYE codes by reporting changes about benefits in kind
2. **Paperless Self Assessment** – to enable customers to interact with HMRC digitally via email or texts and to help them with their tax without resorting to letters
3. **Tax for My Business** – a personalised home for SMEs to view their accounts
4. **Agent Online Self-Serve** – allowing agents to see and do what their clients can see and do as they are authorised to do so

Agent Online Self Service project

EO explained that feedback received from the business community is that the current system by which agents register with HMRC is out of date and involves a range of different application processes. Work is progressing on building a new service and a successful user testing session has taken place. There will be ongoing build-and-test user sessions with different sizes and types of agent organisations to ensure any new system that is introduced is joined up and works well for both agents and HMRC.

The future agent strategy will include testing how agents can help HMRC to manage compliance risk – before and after tax returns have been furnished. There will also be a series of pilots to continue to test Agent and Client Statistics to identify best practice and working.

Agent representatives were concerned about the impact and implication of the strategy on larger firms and for HMRC to ensure that it will work for all sizes of firms and businesses. They called for improved engagement between HMRC and the larger firms in the agent community.

The Chair offered to meet and engage with the agent representatives – this was welcomed.

Action point 5: the Chair to engage with agent representatives.

7. Any Other Business

The date of the next meeting confirmed as 13 December from 10:00 – 12:00.

Meeting Organiser: Large Business Customer & Strategy Team (03000 585 649)