

# MINUTES

---

## MID-TIER AGENTS FORUM

6 April 2016      Time: 11.15-13.15  
Room GE 14, 100 Parliament Street, London SW1A 2BQ

---

**Chair:**      Jeremy Tyler      HMRC (Business Customer & Strategy)

**Secretariat:**      Michele York      HMRC (Business Customer & Strategy)

**Attendees:**      David Barton      RSM UK  
                          David Porter      BDO  
                          Tina Riches      Smith Williamson  
                          David Reilly      Grant Thornton  
                          Amanda Comyn      Grant Thornton  
                          Stephen Nixon      Crowe Clark Whitehill  
                          David Humphrys      Saffery Champness

**HMRC Attendees:**

Phil Gilbert      Counter Avoidance  
Barbara Conroy      CenPOL

**Speakers:**      Veronica Fell      HMRC, Counter Avoidance  
                          Fergus Harradence      HM Treasury  
                          Stephen Taylor      HMRC (Business Customer and Strategy)  
                          Jane Ewart      HMRC (Corporation Tax, International and Stamps)

**Apologies:**      Andrew Hubbard      RSM UK  
                          Mark McGarry      Saffery Champness  
                          Jonathan C. Riley      Grant Thornton  
                          Jacquelyn Kimber      Moore Stephens  
                          Sue Bill      Moore Stephens  
                          Tim Davies      Mazars  
                          Angela Nagarajah      HMRC (Business Customer & Strategy)  
                          Chris Simpson      HMRC (Counter Avoidance)  
                          Gemma Cross      HMRC (WMBC Mid-size business)  
                          Hugh Hedges      HMRC (CenPol MTD)

## 1. Welcome and introductions

Jeremy Tyler (JT) welcomed attendees to the meeting.

## 2. Minutes of last meeting, matters arising/ action points.

The minutes from the December 2015 Form meeting were not agreed due to a request for clarification on the “Employer Duties and Mid-size agents” article. The forum queried the word “companies” in the paragraph describing where HMRC have a number of tools that they can use to reduce delaying tactics. This sentence has been reviewed and now reads

“Although it was agreed that HMRC have a number of tools that they can use to reduce these delaying tactics, a widely supported suggestion was that HMRC should refer the “offending” agent/ representative to their senior partner (including the accountancy firm's represented at the forum) to review and assist in progressing the case.”

This amendment to the minutes was sent to all the attendees of both meetings on 26 April.

\*\* AP 1 – The Forum members to agree the December 2015 Mid-Tier Agents Forum minutes.

## 3. BT Roadmap

Fergus Harradence (FH) provided an update to the Business Tax Roadmap published in March 2016.

FH advised the forum that following the success of the 2010 CT roadmap the Government wished to widen the scope to cover other business taxes including property and energy taxes.

FH highlighted key objectives including a further reduction in the corporation tax rate, a reform of the rules on interest deductibility, Stamp Duty Land Tax changes and a number of energy measures changes to simplify the rules in this area.

FH also advised that a reform of the CT losses rules would be undertaken, with a public consultation due to be published shortly.

A number of the objectives were discussed including whether any distinction was to be made between capital and revenue CT losses and how these losses would be accounted for.

RH advised that the property sector had voiced concerns about the interest and losses reform proposals because of the cyclical nature of their trading. FH agreed and confirmed that consultations would be broad to take into account niche scenarios such as insurance and heavily leveraged sectors which had very specific trading issues.

The forum were also interested in whether there may be some exemptions and FH advised that this was also being considered, for example REITs, which are subject to a separate tax regime, and that HMT/HMRC were in ongoing discussion with the British Property Forum.

FH was unable to confirm whether other roadmaps would be published for example on employment taxes, however felt that this would be unlikely because it would be both very difficult and costly for the government.

Lastly FH confirmed that whilst the roadmap would not be updated annually there would be reports periodically.

## 4. Making Tax Digital

Veronica Fell (VF) joined the meeting to confirm the progress on the action point from the last meeting and update the Forum on the latest in Making Tax Digital.

### Action Point from December 2015 meeting

The forum had requested clarity on the dates on the MTD Roadmap for return dates within those within the new regime. VF advised that the first tranche of business to make quarterly updates would be unincorporated business (including partnerships) and landlords with effect from April

2018 with VAT coming on line from April 2019 and for companies paying corporation tax, quarterly updates will commence from April 2020.

There will be a transition period up to 2018 and through the course of this Parliament.

VF confirmed that the tax payers in the self-assessment system but not in business will not be required to make quarterly updates but by 2020 it is envisaged that they too will no longer be required to complete a self-assessment tax return and will interact with HMRC through their digital tax account. - Action Point discharged.

### **Update on Making Tax Digital**

VF advised the forum that the public consultation documents as outlined in the Roadmap were in the process of being drafted but a publication date couldn't be confirmed due to navigating through several periods of purdah.

VF provided the Forum with a slide pack on the progress of making tax digital to date (attached to the minutes);

A number of issues were discussed including agent access and it was suggested that there 2 possible solutions to this issue;

1. Use of API to get agent access
2. Agent and client both sign up

And the group queried whether a decision yet made. VF advised that this aspect would also be covered in the consultation although a presentation on access had been held the day before with a different audience. JT advised that the emphasis was on the use of API's due to the fact that it could be delivered quicker.

In response to an agent's query VF confirmed that the quarterly submissions would be updates to HMRC's record, and there would be no reconciliation requirement at that point unless the business affairs were simple and a reconciliation readily achievable. VF advised that HMRC was not out to "catch people", although the system would have features that could identify and prompt on some simple errors and advise the taxpayer accordingly. VF said that there would be a more real time engagement with HMRC for the tax paying customer and a greater certainty and control over their tax affairs rather than, waiting a lengthy number of months for their tax liability to be ascertained, at which point it related to income earned in some cases 20 months previously.

The forum advised that the proposed changes could result in greater workloads and with it additional costs such as training and wondered how much it was costing. It was confirmed that an initial impact assessment would be published along with the first round of consultation documents and a full impact assessment at AS2016.

VF updated the forum on the initial payment consultations held during February and that the March 2016 Budget announced a proposal for voluntary "pay as you go" from April 2018 for those maintain digital records. It also announced two further consultations on simplification of taxes including basis periods and extension of the cash basis.

## **5. Agents Strategy**

Steven Taylor (ST) introduced himself to the forum as the new team lead for the agents' strategy team and provided an update on a number of topics including data exploitation, compliance risk and raising standards that the team were working on.

### Data exploration

ST advised that the testing of the CT agent's data was continuing with more cases being selected. The team were also looking to use other HMRC data to provide a more complete picture.

### Standards

ST advised that for the first time in Feb 2016 a new HMRC Agent Standard was published in Agent Update. Until that time standards had only been articulated by the professional bodies for their members. This meant non-professional body members were not bound by any standards. The new HMRC agent standard looks to compliment (and not duplicate) the professional bodies' standards, in particular the Professional Conduct in Relation to Taxation (PCRT).

The profession are also looking to develop their standards on tax avoidance which will include the strengthening of their professional standards. In March 2016 there was a meeting with professional bodies and both parties agreed that the suggested standards were going in the right direction with further discussion on the implementation and testing of ambiguous areas. HMRC will reflect this strengthened standard in future iterations of the HMRC Agent Standard.

### Agent misconduct

The agents' team are also looking to strengthen the role the professional bodies play in enforcing standards amongst their memberships. HMRC recognise the majority of professional body members are not involved in misconduct. However it is seeking to better identify cases of agent misconduct where they do occur, and to then share information with the professional bodies so that they can take action.

There was recognition that there needed to be consequences for those agents, both members of a regulated professional body and non-members, who fail to adhere to professional standards. It was highlighted that this may result in agents choosing to leave the body thereby reducing any possible impact of strengthening standards. JT explained that the aim was to drive up the professional standards across the entire agent market. HMRC are considering how this would be achieved. Other strands of work include the possibility that professional titles such as tax accountant and tax adviser could be protected in a similar manner to solicitors; and leveraging the role insurer's play.

Progress on the above topics will be provided at future Mid-Tier agents forums.

## **6. Buy to let**

Jane Ewart (JE) provided an update on the recent Stamp Duty Land Tax: Higher Rates for Additional Residential Properties measure that came into effect on 1 April 2016.

JE referring to the slide presentation attached explained the context of the new law, the rates and the purchases affected. JE also explained the application of the law for companies and individuals.

The topic generated a lot of discussion with a number of interesting aspects being raised by the Forum despite a prevailing feeling amongst the forum members that the law was political. The forum raised a number of queries including:

**The treatment of granny annexes.** Post meeting update from JE. A granny annexe only counts as separate dwelling for the purposes of the higher rates if it is capable of being sold separately. If it is not capable of being sold separately the main property and the annexe will be treated as a single dwelling. Whether SDLT at the standard rates or higher rates will apply to the entire transaction will depend on the purchaser's circumstances

Where an annexe is capable of being sold separately from the main property, the Government has recently announced that an amendment will be made to the Finance Bill to exempt annexes from the higher rates of SDLT when purchased in the same transaction as a main residence (either a first property or a replacement of a main residence). Provided the annexe is within the grounds of the main property and is worth no more than one third of the total purchase price, the transaction will be treated as only involving one dwelling and therefore, SDLT at the standard rates will apply to the entire transaction.

**Charities relief.** A query was raised on how the higher rates would apply in a "Pollen" type cases. JE advised she would check on the application and advise the members in due course. Update - Where a charity purchases a dwelling jointly with an individual the higher rates will apply if either of the purchasers own other residential property. If the charity intends to use the property for charitable purposes partial SDLT relief can be claimed, based on the charities share of the property.

JE advised that the online system will not currently accept a claim for MDR on a higher rate transaction – in the interim period customers should use code 28. Update – this issue has now been resolved.

## 7. Cyber security

The cyber security team were unable to attend however they provided key lines that they wished to have discussed unfortunately due to time pressures this was not possible therefore it was agreed to include them in the minutes to the meeting.

1. Cyber risk is significant & growing. HMRC and government take it seriously (£860m National Cyber Security programme last 5 years; £1.9bn in next 5 years).
2. Whilst HMRC undertakes a range of work to protect customers and agents from the risk, it is critical that it is considered a Board Level concern/risk for Agents.
3. HMRC and government cannot minimise this risk alone; much of the responsibility sits with customers and intermediaries to protect their information. However, HMRC does of course deploy a range of existing and new defences including the investment in a new Cyber Security Command Centre and the strengthening of 'Government Gateway' to include 2 Step Verification for individuals and on a voluntary basis for business (SA) customers.
4. There are a range of threats, some of which overlap; phishing/malware & Ransomware/hacking/insider threat/Denial of Service attacks. Many high profile examples of this over last 12 months (apple/target/Ashley Madison/Dridex/Ransomware).
5. Not HMRC's role to provide targeted cyber security advice, but some of the areas to think about risk management in this area include:
  - o Password – not sharing passwords/credentials; using complex passwords
  - o Protecting information – encryption/least privilege
  - o Updates/patching – not running outdated operating systems; applying patches
  - o Phishing/social engineering – educating staff on phishing/social engineering risk; being aware of what genuine emails look like and HMRC policy on email use

HMRC's Cyber Security and Risk & Intelligence functions will provide a more in-depth briefing in June, but additional information is also available at:

- o Cyber Streetwise - <https://www.cyberstreetwise.com/>
- o Get Safe Online - <https://www.getsafeonline.org/>
- o To report misleading websites/emails related to HMRC – email [phishing@hmrc.gsi.gov.uk](mailto:phishing@hmrc.gsi.gov.uk)
- o To report non-HMRC related misleading websites/scams - [http://www.actionfraud.police.uk/report\\_fraud](http://www.actionfraud.police.uk/report_fraud)
- To find official government services, like how to claim a refund - [Search on GOV.UK](#).

## 8. Any other business

The next meeting has been rearranged for 5 July 2016. If there are any agenda items that you would like to discuss please do not hesitate to contact Michele York ([michele.york@hmrc.gsi.gov.uk](mailto:michele.york@hmrc.gsi.gov.uk)).