

# Tax Faculty Hotspot Roadshows

## How it went in 2007 ...

As readers will know, during spring and early summer this year we embarked on our second season of regional seminars, partnered with CCH Professional Development. Led by three prominent tax lecturers – Rebecca Benneyworth, Francesca Lagerberg and Mark Lee – the events aimed to give an insight into the current practical and technical issues facing practitioners and the solutions available. Subjects ranged across e-filing matters, company cars, employment tax problems and the pitfalls affecting small businesses.

Our lecturing trio between them visited 24 locations and drew a record number of delegates: over 1,700 tax professionals attended! On many occasions they were joined by Technical Managers from the Faculty, which was a great opportunity for our team to meet and greet delegates and give an update on the consultations and other work the Faculty is doing at the moment.

When we developed the format for the roadshows back in 2006, we wanted to stage a CPD event with a difference. And, with the aim of bringing the two sides of the tax world together and providing HMRC with a real insight into the problems practitioners were facing, we decided to invite along senior HMRC officials to take questions from delegates. Many opinions and examples were voiced in that first year and it became clear that the vast majority of attendees, while perhaps initially sceptical

about HMRC's presence, relished the opportunity to speak openly about their experiences.

Therefore, in 2007 we decide to extend the invitation to HMRC again. This gave HMRC the chance to update attendees on areas of progress and on the Department's plans for the future – it also enabled the audience to raise concerns surrounding current standards of HMRC's service. Some 199 issues, concerns and questions were raised at this year's events. Last year HMRC provided feedback on the issues raised at the roadshows (see *TAXline* for July 2006). This year again, HMRC has taken the problems raised by practitioners very seriously, and has produced a detailed report which discusses some of the burning issues which cropped up most often at the roadshows, and how these are being tackled.

HMRC's report is on the following pages. We would welcome members' comments on any aspect of what HMRC has said. Please send them to [taxline@icaew.com](mailto:taxline@icaew.com).

## ... and we'll be back in 2008

Our new theme for 2008's regional events – running from April to December at a venue near you! – is **Topical Tax Tips from the Tax Faculty**.

Back by popular demand is Rebecca Benneyworth, leading tax speaker and practitioner. Next month's *TAXline* will give a full list of roadshow dates and locations.

## Tax Faculty Roadshows 2007 – HMRC Report

This report, written by HMRC, addresses the questions and concerns which were put to them at this year's roadshows

**B**etween May and July the Tax Faculty of the ICAEW presented 24 seminars around the UK, in conjunction with CCH, to provide an insight into practical, topical issues affecting practitioners. Dave Hartnett and other senior Directors from HMRC attended each of the roadshows to tell participants about HMRC's progress and plans for the future. It was also an opportunity for attendees to question HMRC on burning issues and problems facing practitioners and in this report we comment on some of the key areas.

HMRC and agents need to work more closely together to make the tax system work more effectively and efficiently for your clients and our

customers. Coming along to the roadshows and engaging directly with agents who are working at the coalface provides a great insight into the difficulties that both can face and an opportunity to work more closely and develop the relationship between tax agents and HMRC.

### Agent and adviser strategy

We have a new Departmental strategy for improving our working relationship with agents and tax advisers. We are looking to work more collaboratively with you in the administration of the tax system and at the role you play in supporting taxpayers in meeting their obligations and the extent to which our services support you in helping clients in getting it right.

We have established a steering group (the Tax Agents and Advisers Steering Group) with senior members from the representative bodies. This has various groups beneath, looking at a range of issues including:

- Improving telephone arrangements.
- A package of customer relationship management measures. One element of this, a geographically-based Agent Account Manager, is currently being trialled at two locations. The Account Manager will provide a point of contact for agents on signposting or troublesome issues and a conduit for the dissemination of information.
- An induction pack for agents (*Doing Business with HMRC*). This will give clear procedural and administrative information. The initial chapters will be published on the HMRC website shortly.
- Improvements to the way we communicate with agents and particularly at initiatives to work with the major professional bodies to tailor our communications to agents' needs. The first product, the *Agent Update*, was launched on 6 September 2007. This new, bi-monthly publication includes a summary of recent HMRC announcements, publications and guidance of interest to tax agents and advisers, together with links to further information on the HMRC website. We plan to distribute *Agent Update* to trade and professional bodies. It can also be downloaded from the HMRC website at [www.hmrc.gov.uk/agents](http://www.hmrc.gov.uk/agents).
- Getting the local Working Together network up and running, as it has suffered in some areas as a result of our reorganisation. We now have a clear picture of activity, meetings are taking place in many areas, and in others we are contacting organisers to ensure that meetings take place in the autumn. We have also improved the content and usability of the Working Together pages on our website and we are looking at how best to communicate issues that are raised by local groups. We will be updating the Working Together internet pages to show locations of local Working Together groups.

ICAEW members who would like to be involved in a local meeting in the future should contact Philippa Stedman.

### Post

At a number of roadshows agents reported that they had experienced some difficulty in getting responses to post they had sent to some HMRC offices. In some cases they had been told that HMRC was dealing with large backlogs of post. In other cases agents asked why post from HMRC offices took so long to arrive, suggesting that HMRC stockpiled post before sending it out.

We make every effort to provide a prompt response, balancing different priorities at different times of year (for example after the SA filing peak) as best we can. However, we are aware of agents' concerns about delays that have occurred this year and we share them. We are sorry that in some places we have not provided the service you or we would want recently and we are certainly making every effort to improve. We would expect improvements to feed through over the latter half of this year.

The Department has made significant investment in new ways of working that will, when truly embedded, result in a service that exceeds our previous performance both in terms of response times and accuracy of working. These have been introduced with the support of experts in process improvement from the private sector and we are confident they will deliver the service we and you want.

Part of this new way of working is that we are trying to ensure that all customers receive a consistent service on a 'first in/first out' basis – rather than some having to wait much longer than others for a response to their enquiry – and that quality is consistently high. But any new process will have costs associated with change and that is what we are seeing in some of our offices at the moment. We believe that position will improve over time as the fruits of our investment pay off.

Some offices have adapted to the new ways of working better than others and some are further through the system than others, so they have refined their planning and approach to the new process. That is why performance is currently variable across our offices. In many offices we are already seeing high levels of performance, others have some way to go. We are addressing that urgently; our aim is to provide a consistent performance across HMRC and we monitor offices on an ongoing basis and, where necessary, support offices which appear to be in

greater difficulty than others. For example, our office in Leicester has had to deal with the new arrangements around Retirement Annuity Contracts this year and that has given them considerable additional work. We are of course giving Leicester as much help as we can.

We continue to refine our new process and at the end of September we have made further refinements which we believe will get us back on track in all of our offices, including those where there are currently delays, by the end of the year.

As for outgoing post, this is not stockpiled in HMRC before despatch, but sometimes, to take advantage of economies of scale and as we withdraw support staff from more and more locations, it is sent via our internal post carrier to another location for collection and despatch by Royal Mail. This, however, should only add one day to the length of time post is in transit and even then, only if it originates in one of the sites that no longer has Royal Mail collections. For those offices with the appropriate support staff and Royal Mail collections, the post leaves the office on the day it is dated and there should not be any delays of this kind. We would be interested in following up any instances where this has happened as it may suggest there is an issue with our providers in delivering to their contract.

#### Contact centres

A number of points were raised about telephone contact with HMRC. These ranged from the HMRC policy not to give out phone numbers in non-enquiry cases (which is in line with other commercial operations) to service and availability issues.

Agents reported that while many considered our phone service had improved, on occasions our lines are busy and it is difficult to get through. An Agent Priority line has been established exclusively for your use when you are unable to get through on the 0845 number. Calls received on such lines are routed to the front of the queue regardless of how many callers are waiting even if the parameters on that line are full. Therefore agents using the priority line should never receive a 'busy' message. Details of the agent priority lines can be found in the Working Together section of the HMRC website. In addition we are currently evaluating the results from a telephone pilot which ended in April that trialled two ways for agents to get direct access to our technicians for their more complex enquiries.

Demand on the overall contact centres service has been high recently, particularly in July 2007 during the tax credits renewals period; we tried to maximise the number of calls we answered during this busy time, for example by moving other trained contact centre staff on to the Tax Credit Helpline and by careful management of non-phone time. Some customers did, however, have to wait longer to speak to us and we apologise for this. Caller demand has reduced to expected levels in August 2007 and more callers are able to get through to us on the day.

Likewise the response times for the Employer Helpline remain very good, and the recent customer survey produced high scores from employer customers for this service. We are aware that there were some difficulties getting through to the employers helpline during the early summer when we were dealing with more new employer registrations, which are particularly resource-intensive. The number of registrations has increased by 50 per cent in comparison to last year although this is now showing signs of reducing as a significant number of the former managed service companies have now changed to personal service companies.

#### VAT registration

The current position on VAT registration application processing is a major concern for agents and HMRC shares those concerns and is working hard, at the highest levels, to address them. We receive over 285,000 VAT registration applications each year and have a target of clearing complete and low-risk applications in 14 days, but unfortunately the average time taken to complete an application is currently 38 days.

Several factors are in play here. VAT registration is the entry point to Missing Trader Intra-Community (MTIC) and other serious fraud, which reduced VAT receipts by an estimated £2bn-£3bn in 2005/06. Obviously we must take steps to prevent such abuse of the VAT system. That includes pre-registration checks, which last year weeded out over 7,000 applications. However, there is more for us to do to target our risk checks effectively and so reduce the number of queries needing to be referred back to applicants before their applications can be processed.

Alongside that, we are consolidating VAT registration work into two sites at Wolverhampton and Grimsby. We have also seen a spike in application numbers over recent months following the Budget 2007 announcements on Managed Service Companies, and we have had some IT problems to resolve.

These factors combined have led to the drop in service standards. We do understand the problems that delays in registration can cause, and we are working hard to improve processing times. We are recruiting additional staff at Wolverhampton, and devoting more existing staff to registration activity. We have reviewed and updated our risk assessment parameters, and will do so regularly to ensure they remain targeted against fraudsters. And we have stabilised the IT problems, and will make further improvements over coming months.

We anticipate these steps will provide significant additional processing capacity and turn performance around. However, the lead time for some changes, including training of new staff, means it will take time to see the improvement flowing through. We anticipate the upturn will be visible from the autumn.

We will keep agents and businesses up to date with progress. Our website provides the latest position, together with advice on how to deal with VAT affairs in advance of getting a registration number. If you are involved with advising businesses seeking to register, it would be helpful if you could encourage them to look at the website information, and take account of the current timescales in their business planning.

Finally, we want to acknowledge the representations the ICAEW has made, through the JVCC, for further improvements to the VAT registration process. We will be discussing these at a dedicated workshop with agents in October.

#### Delays in processing forms 64-8

An increase in numbers of authorisations received by the Central Agent Authorisation Team (CAAT) resulted in a backlog of work and delays in getting authorisations on the system. We are sorry for any inconvenience that this may have caused. CAAT recognises the urgent need to process agent authorisation forms as quickly as possible and additional staff were deployed to address the backlog of forms that built up. We are now in a position where we are processing forms 64-8 within six days of receipt.

It is worth noting that 40 per cent of 64-8s received in the CAAT are forwarded on from local HMRC offices. To minimise delays while they are forwarded to CAAT for processing we would ask that agents send the appropriate 64-8s directly to CAAT at Newcastle:

HM Revenue & Customs  
CAA Team, Longbenton  
Newcastle Upon Tyne  
NE98 1ZZ.

There are still some exceptions that need to be sent to other HMRC offices. More information and FAQs can be found at [www.hmrc.gov.uk/workingtogether/64-8-faqs.htm](http://www.hmrc.gov.uk/workingtogether/64-8-faqs.htm). For the future we are working closely with agents from the Working Together Steering Group who visited the processing team in September to identify what further improvements we can make to the authorisation process.

There is an Online Agent Authorisation service which allows agents to use the Internet to set up authorisations for many individuals, organisations, and employers. For more information, please see <http://www.hmrc.gov.uk/ebu/onlineagent.htm>.

#### Self Assessment (SA) Online

We were pleased to hear that for many agents e-filing has been an improved experience, although we would be the first to admit that there were problems earlier this year with the filing of employer returns. We have publicly declared that we want customers **to want** to use our online services, not use them just because **they have to**. We know our customers will only want to use the services if they are fit for purpose and robust – with this in mind we have consulted widely with customers and their representatives (and continue to do so) and aim to design services to meet customers' needs.

HMRC is committed to investing in robust, secure and high capacity services. We are planning to spend around £170m in systems designed to deliver Lord Carter's proposals between now and 2012, focusing on improving the existing services so that they are resilient and tailored to users' needs. Communications around service maintenance and performance are obviously extremely important and we will continue to communicate using the Service Availability pages which customers can access from the home page of our website.

In line with the revised Carter timetable we are focusing our investment during the coming year on SA. The introduction of an online attachments feature for SA has been well received and our plans for SA include filing of earlier year returns online, introducing additional supplementary pages for Capital Gains and Foreign Income, and allowing larger partnerships (up from 200 to 1000 partners) to file their returns online.

Overall feedback about the SA and PAYE peak periods has been very positive this year although we know that agents did experience difficulties in viewing client lists in May and we are sorry for this. We are starting to overcome customer concerns about our ability to deliver resilient services; however we do need new infrastructure to support anticipated future volumes and we will be investing in this.

#### **Paper substitute returns for income tax SA**

HMRC currently approves alternative versions of the SA return form. These alternative forms, which are known as substitutes, are produced by commercial software. They have the same fields as the official HMRC form but vary in appearance.

Lord Carter recommended that to encourage online filing, computer generated substitute versions of the SA return should no longer be approved or accepted by HMRC. This will apply to the three main SA returns – for Individuals, partnerships and trusts – for 2007/08 returns onwards. For the time being, HMRC will continue to accept approved substitutes for the remaining types of SA return. Over time we hope to enable more and more customers to file their returns electronically, and will consider any continuing need for relevant substitutes.

The vast majority of our customers required to file the three main SA returns can use the HMRC online product to do so, and a number also use commercial software to file online. Less than 1 per cent of our customers cannot currently file online because HMRC has not yet been able to develop online facilities for their particular circumstances.

We are working on a solution for this very small group but in the meantime those taxpayers affected will be allowed to file on paper up to 31 January, without incurring any penalty that might otherwise be due for paper filing after 31 October. Following consultations with representative bodies and software vendors, HMRC will continue to accept paper returns for this group of taxpayers that have been prepared wholly, or partly, electronically provided that computer generated output is identical in appearance to the official HMRC form.

If any customer is in doubt whether they are affected, then they need to check our website for details of what can and cannot be done. They need to do this now and not leave it until near the actual filing date.

#### **Coding-out of non-PAYE income**

The PAYE Regulations state that HMRC should code out non PAYE income (eg untaxed interest) when issuing a code number. Even though the taxpayer has the right to object to this and have the tax collected through self assessment we know that this continues to be an area of concern for agents.

We have listened to agents' concerns on this matter and a new box was included on the 2007 Return. Box 23.1A enables the taxpayer to tell us that they do not want non PAYE income included in their code number.

Following a meeting with a number of the professional bodies earlier this year, we have improved the wording of our forms and stock letters in order to make the process clearer for taxpayers and we are continuing to review our internal guidance in order to improve levels of consistency. However feedback from agents indicates that there may be some on-going local issues on the correct treatment of entries in Box 23.1A and we would ask agents to contact us in any such case so that we can investigate further.

#### **Offshore disclosure arrangements**

The registration period for the Offshore Disclosure Arrangements, which many agents were very positive about, ended on 22 June. The arrangements provide a streamlined service for offshore account holders to put things right, by disclosing any liability not previously included in their tax returns, with a guaranteed 10 per cent penalty.

There has been an excellent response rate, with over 62,000 people notifying us that they have a disclosure to make. The dedicated website (<https://disclosures.hmrc.gov.uk>) received hundreds of thousands of hits: over 80 per cent of all information packs were obtained via the web and 50 per cent of notifications were submitted online.

Those who have registered now have until 26 November 2007 to submit a detailed disclosure and pay the amount due. The easiest way to do this is using the online service.

HMRC is now focusing significant resource on offshore account holders whose details we have obtained using our information powers and who appear not to have paid the correct tax, but have not registered for the Offshore Disclosure Arrangements.

**Editor's note:** *Both the Tax Faculty and HMRC would welcome members' comments on any aspect of what HMRC has said in this report. Please send them to me [taxline@icaew.com](mailto:taxline@icaew.com).*