

Single Compliance Process

HMRC has outlined the shape it sees for future tax enquiry work – the Single Compliance Process.

The Process is currently being trialled on some 1,100 – 1,200 SME cases from 12 HMRC locations (Belfast, Cardiff, Edinburgh/Dundee, Euston Tower London, Exeter, Newcastle, Reading/Slough, Southampton, Warrington, York) and will run from June to December. After evaluation, the Process will be rolled out nationally from January 2012.

The aim of the SCP is to build on the best features of SA Enquiry ('Full' and 'Aspect'), Employer Compliance and Assurance work to improve the quality and consistency of HMRC's enquiry work by adopting a more collaborative approach with business and their agents, increasing the efficiency and effectiveness of HMRC's workforce, reducing unnecessary delays and focussing solely on the aspects needed to resolve the risks identified in the enquiry.

In the trial the Process will cover enquiries under IT and CT, and assurance checks under VAT and Employer Compliance. The Process will try to align the approach taken across all taxes and will provide "a single framework within which the majority of future SME business enquiry work will be undertaken".

The Process is designed to concentrate solely on the risks or behaviours identified for the enquiry, using four different levels of intensity proportionate to those risks.

- The first level will be to carry out an enquiry where there is no need for a face to face meeting, for example by correspondence, and with minimum inconvenience.
- The second level will adopt a simplified and faster route for those cases where a lower intensity face to face intervention approach is required.
- The third level will address cases requiring a greater amount of time because the depth and breadth of the enquiry is more involved.
- The fourth level will tackle the most demanding cases such as those indicating tax evasion characteristics or those highly complex in nature.

HMRC says that as the case progresses, it should move between these levels, depending on what is found in the enquiry and irrespective of the type of tax.

For the purposes of the trial, HMRC has estimated a maximum time to work each enquiry at each level as follows:

Level 1 - 1.5 days

Level 2 - 2 days

Level 3 - 4 days

Level 4 - 8 days

These timings represent the average amount of time which HMRC officers spend actually working through the enquiry.

The Process allows for the enquiry to be driven by the risks or behaviours identified and includes:

- The taxpayer and the agent being told at the first opportunity the particular risks to be addressed to give time savings and clarity for both parties about the risks being addressed.
- Developing a relationship with the agent/business for mutual understanding of the benefits of particular approaches and how these maintain the pace or speed up the process.
- Collaboration between HMRC and agent/business at every stage in the enquiry and communicating any findings directly so that there should be “no surprises”.
- Swifter record reviews carried out ‘on site’.
- Only seeking the facts and evidence to address the particular risks identified and not using the enquiry to undertake a general “fishing expedition”, meaning that discussions are more focussed.
- Sample record reviews as opposed to a full review when appropriate.
- Working to Litigation and Settlement Strategy principles, importantly that HMRC will not generally enter into a dispute unless the revenue flows potentially involved justify doing so.

Commentary:

HMRC has long been trying to reduce the time taken to complete enquiry cases and the Process is in this tradition. In a time of staffing cutbacks, the Process also seeks to make best use of the remaining staff in SME Local Compliance by having them address only the risks identified in the initial Risk review and by continuing the trend to approach enquiries on a tax basis. The estimates of timings appropriate to each level of intervention seem very optimistic however. Given that HMRC has already decided that implementation of the Process will begin next January, the Process is likely to be the model for the majority of future compliance work undertaken by HMRC.

Further Reading:

Agent Update 24, June / July 2011

Single Compliance Process (SCP) Briefing Paper for Tax Agents

<http://www.hmrc.gov.uk/news/scp-trial.pdf>