

Consultation on the Business Risk Review

Management of taxes

OMB

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HMRC have recently issued a consultation document 'Large Business compliance – enhancing our risk assessment approach'.

For the last decade, the Business Risk Review (BRR) has been a core feature of how HMRC manage the tax compliance of the largest businesses – defined as those with a turnover of more than £200m.

Most large businesses are managed by HMRC's Large Business Directorate which allocates a Customer Relationship Manager (CRM) for each business it manages. CRMs currently conduct a periodic BRR of each large business, assessing their risk profile and placing them into a binary 'low risk'/'non-low risk' category so HMRC can target resources on those taxpayers who represent the greatest risk. This process is set out in their Tax Compliance Risk Management manual.

This assessment is a key determinant of the level of scrutiny and resource the business receives from HMRC. The process, while still considered effective by HMRC, has undergone limited change since its introduction 10 years ago.

Currently HMRC define a low risk taxpayer as a taxpayer who has an open and transparent relationship with HMRC, effectively manages their own tax compliance risk and who HMRC trust will not engage in aggressive tax planning. HMRC define all other large business taxpayers as non-low risk.

Taxpayers who are non-low risk cover a wide spectrum of tax compliance behaviour. In HMRC's view, the current approach has been effective in identifying and managing tax risk, encouraging large businesses to adopt a lower risk approach to tax compliance, and encouraging them to resolve any issues early. However, HMRC do not consider that the current low risk and non-low risk segmentation adequately defines the differences across the spectrum of the population in a useful way, seeing

it as too blunt to highlight significant differences across the population.

HMRC are therefore seeking views on how a refreshed BRR approach, potentially with more (eg 4-5) risk categories tailored to the tax risks encountered in the large business population, will:

1. support HMRC in maintaining a shift in large business compliance behaviours
2. provide greater clarity and confidence for large businesses – for example, the BRR could involve greater segmentation, placing businesses into a low risk, low-moderate risk, high-moderate risk, high risk and significant risk category

The full consultation, which runs until 6 December 2017, can be found on [GOV.UK](https://www.gov.uk).

If you have any comments on the consultation that you would like us to include in our responses, please send them to technical@ciot.org.uk or atttechnical@att.org.uk

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You can also send comments directly to HMRC at largebusinessconsultation.mailbox@hmrc.gsi.gov.uk.