# The Administrative Burdens Advisory Board: improving our tax system

OMB Management of taxes



24 January 2025

The Administrative Burdens Advisory Board seeks to deliver improvements in HMRC customer experience for SMEs.

---

Chancellor Gordon Brown's 2006 Budget had a significant focus on reducing the cost to business of regulation. It set targets for HMRC to reduce the cost of tax compliance by at least 10% over five years and to reduce the cost of tax audits by 15% over that period (see tinyurl.com/5n6favnv, paras 3.43-3.50). It also announced the establishment by HMRC of the Administrative Burdens Advisory Board (ABAB). It was chaired from the start by Dame Teresa Graham (who was also deputy chair of the Better Regulation Commission). Two other original members remain: Roger Southam and Karen Thomson.

The terms of reference specified that: ‘The purpose of the Board is to support HMRC in the delivery of improvements in the customer experience of the SME business population, with the primary goal of “making a noticeable difference” in terms of making it easier, quicker and cheaper for SMEs to deal with the tax system.’

The first ABAB meeting in May 2006 discussed the Administrative Burdens Assessment produced by KPMG for the newly established HMRC. The assessment counted 2,692 individual compliance obligations on business. It was thought that 85 of these caused 85% of the burden on business – much of which related to 12 key forms and returns. Each of the obligations was given a cost in the new Standard Cost Model, in turn used to support costings in Regulatory Impact Assessments and TIINs (tax impact and information notes). Much of the initial discussion at ABAB was about simplifying the main income tax return and making tax audits more efficient through focus on risk assessments.

---

## Where are we now?

Nineteen years later, there is still a need for ABAB. Some of the topics have changed (Making Tax Digital for Income Tax has taken the place of simplifying the tax return) but small businesses still report their struggles with the complexities of the tax system.

ABAB conducts a small business survey every year. It received over 10,000 responses in 2024 (see tinyurl.com/msxr4nuv). A third of respondents had sales below the VAT threshold, although 18% had sales over £1 million. 70% had fewer than six employees or none at all. Interestingly, 27% used HMRC’s online accounts – the personal tax account and the business tax account. No doubt HMRC will be hoping that this proportion will increase over time and that many will also use the HMRC app, which provides almost identical services. The app is particularly good at holding an individual’s national insurance number and is especially easy for paying tax through open banking.

84% of survey respondents were businesses, with 16% being tax agents. One third of businesses reported that their experience of HMRC services had got worse, with two thirds staying the same. Agents almost unanimously reported that their experience had got worse.

Roughly 40% relied on their agents for keeping up to date, with another 40% using HMRC's online guidance. 42% found online guidance helpful or very helpful, with 42% finding it average and the remainder finding it unhelpful.

The survey highlighted continued concerns about HMRC's customer service and a continued lack of awareness and involvement with Making Tax Digital for Income Tax, due to arrive in 2026.

---

## Looking forwards

ABAB's 2024 Annual Report reaffirms its commitment to the goal of a simpler and easier tax system for small businesses (see tinyurl.com/5dte4tej). 'A simpler and easier tax system will not just save businesses administrative time and money; it will likewise save HMRC time and money as there will be fewer mistakes and difficulties to resolve. And it will help the tax revenues flow more smoothly into the Treasury's coffers!'

During 2024, ABAB met with HMRC officials every quarter, with additional meetings for its customer working group. ABAB also meets with the tax minister and has a scheduled meeting for 2025. Topics especially covered during 2024 included Making Tax Digital and Payrolling Benefits (where ABAB is supportive in principle but advised that more notice needs to be given to businesses, payroll agencies and software providers of the adoption of mandatory payrolling). ABAB also advised that HMRC should find agreed methods of reporting all benefits – not leaving out beneficial loans and accommodation. ABAB expressed concern about the planned reporting of employee hours, pointing out that hours data was not kept in payroll systems unless individuals are hourly paid.

The first meeting in 2006 noted that 'the timescale for change around HMRC's legacy systems could be time consuming and this improvement (taking into account design, testing and legacy systems) was unlikely to be released before 2008.' Today, HMRC continues to live with legacy systems, which continue to make it harder to deliver improvements, although it is working through a significant programme of adopting modern, enterprise-level systems. Its Digital Roadmap planned for the spring should give a broader indication of investments and changes coming.

ABAB continues to welcome comments from those in business and their advisers. Please email your thoughts on improving our tax system as it applies to small business to: advisoryboard.adminburden@hmrc.gov.uk

**© Getty images/iStockphoto**