**Factsheet: Changes to Business Risk Reviews for Public Bodies Group customers from 1 October 2019**

1. **What is the purpose of updating the current BRR process?**

Legislation and the business landscape has significantly changed since the BRR process was introduced. We want to provide greater clarity and consistency for our customers around the BRR process by:

* Developing clearer guidelines
* Having a more standardised approach
* Setting clearer expectations
* Adopting a pragmatic approach and developing a deeper understanding of customers and sectors by
* Working collaboratively with our customers
* Listening to our customers to better understand their business
* Distinguishing between structural, inherent and behavioural risks

1. **How did you decide what changes to make to the BRR process?**

The changes have been made following a public consultation and pilot exercise. The public consultation told us that:

* HMRC’s Business Risk Review can be enhanced, so it continues to deliver excellent value for HMRC and its customers;
* The BRR’s binary Low Risk/Non-Low Risk categories should be changed so it accurately reflects the differences across the population. HMRC is committed to exploring the optimal number of risk categories for the BRR, and accepts there should be a series of risk categories that clearly distinguish between low and high risk;
* The BRR process as a whole should prompt and support continuous dialogue between the CCM and the customer on reducing tax risk. The enhanced BRR should therefore provide customers and HMRC with a clearer understanding of the actions and timeline required to reduce the level of risk.

Full details of our public consultation are available at:

<https://www.gov.uk/government/consultations/consultation-on-the-business-risk-review>

Our evaluation of the pilot told us that our customers welcomed the proposed changes and felt that it improved their experience of the BRR process.

* 97% would like the enhanced BRR to replace the previous BRR method.
* 94% thought that getting the chance to see the rating per regime gave their group a better opportunity to understand their overall risk rating
* 82% of customers know what they need to do to improve their risk rating under the enhanced guidance
* 81% of customers felt that they could take steps to reduce their risk rating
* 94% thought the new risk indicators were clear

**3. What are the new risk rating categories?**

There are four new risk ratings:

* Low Risk
* Moderate Risk
* Moderate-High Risk
* High Risk

**4. How will the creation of finer distinctions in the BRR process improve the service HMRC provides to customers?**

By creating four segments HMRC can target resource to where it is most needed. For a low risk customer we would still expect BRRs to be carried out every 3 years. BRRs will be more frequent and more detailed the higher the risk identified. A more granular BRR will mean customers will have a better understanding of where they need to improve leading to more informed and transparent conversations.

**5. Will the creation of finer distinctions in the BRR+ process simply lead to greater inconsistencies of approach by HMRC?**

The BRR+ guidance begins with detailing what ‘low risk’ looks like. This will be the target for customers to aim for and creates certainty on how customers can meet low risk status. Our CCMs will start by looking to see if customers meet all indicators. In broad terms, the more indicators that the customer does not meet, the more likely they are to have a higher risk status. This is a more standardised approach then the current guidance and should lead to greater consistency in approach for all of our customers.

**6. What are the benefits to the customer of being in a lower risk rating?**

Some of the benefits of being low risk are that:

* Interactions with HMRC will, in general, be driven by customers rather than by HMRC.
* Enquiries instigated by HMRC will be the exception rather than the rule.
* We will trust our Low Risk customers to manage their tax risks without the need for intervention from us.
* Fewer interventions will mean reduced costs for the customer.
* Customers will have more certainty over their tax liabilities.

**7. What other changes have been made?**

* Introducing 3 Customer Behaviours – Systems and Delivery, Internal Governance and Approach to Tax Compliance - to review and assess risk rating.
* Defining what low risk looks like for each of the three behaviours.
* Using a more granular BRR, where ratings for each tax regime were shared with customers.
* New BRR template and guidance.

**8. Will guidance be available and where can you find it?**

The detailed guidance will be available to CCMs, and this will be shared with customers when arrangements for their BRR are made. We will also update our published guidance, [Tax Compliance Risk Management](https://www.gov.uk/hmrc-internal-manuals/tax-compliance-risk-management) (TCRM), which can be found online at GOV.UK.

**9. Will there be any changes to how the BRRs are arranged or carried out?**

From a customer perspective, the process of arranging and engaging with the BRR+ process will remain similar to the previous process. Our initial consultation made clear that many stakeholders did not feel a complete overhaul was needed, but the current process simply needed to be enhanced. The main changes will be to the current guidance and risk ratings.

The previous risk ratings were either low or non-low, whereas the new risk ratings will be low, moderate, moderate-high, and high.

When sharing the BRR rating with customers, each tax regime will be rated individually leading to an overall risk rating. This is different to the current BRR process where customers are only informed of overall risk rating.

The current guidance has been updated to give greater prominence to what a low risk customer looks like.

**10. How often will BRRs be carried out?**

It is expected that BRRs will be carried out every 3 years for low risk customers. BRRs for customer in moderate, moderate-high and high risk categories will usually be carried out annually.

**11. Does HMRC have a set percentage of customers they would expect to see in each risk segment?**

HMRC does not expect to see a significant change in the size of the low risk population. There are no plans to have a set percentage of customers in each segment.

**12. Will any kind of review or appeal process be introduced?**

There are no plans for a review or appeals process to be introduced. Our guidance says that customers may disagree with their ratings and that a collaborative approach to the BRR process should be adopted (TCRM3200). This approach will not change. HMRC will continue to undertake internal assurance to ensure consistency and correctness of approach.

**13. What do you need to do to get ready for the introduction of new approach?**

All BRRs that will be shared with customers after 1 October 2019 will be under the new approach. CCMs will advise customers on what they need to do to prepare for their next BRR.

**14. Who do I contact if I have any questions that aren’t covered in the FAQs?**

Customers should contact their CCM if they have any further questions.