

# OPERATIONAL IMPACT ASSESSMENT FOR OPERATIONAL AND PROCESS CHANGE TO STAMP DUTY LAND TAX

## Introduction

**1.1** This is the operational impact assessment (OIA) reviewing the impact of various operational and process changes made to stamp duty land tax (SDLT).

## Purpose and Intended Effect of Measure

### *The Policy Objectives*

**1.2** The Government would like to make the stamp duty land tax system easier for its customers and their legal representatives to engage with. Specifically the number of requests for additional information needs to be reduced, which both slow down the process of tax collection and can create frustration amongst the property legal profession and their clients

## Background

**1.3** Since the introduction of stamp duty land tax on 1 December 2003 taxpayers and their legal advisers have regularly made representations that the administrative processes are too cumbersome. Recognition of the need to allow solicitors and conveyancers to come to grips with the new processes had resulted in the 'light touch' applied to incomplete returns in the period from 1 December 2003 to 19 July 2004. Despite this bedding in period, it became increasingly clear that conveyancing practitioners continued to have difficulties with the new processes. This culminated in the Law Society's media campaign (badged as SDLT 'Strife') criticising the implementation and administration of the new tax, launched in May 2005.

## Options

### *1. Do Nothing*

**1.4** This would have meant continued discontent with the stamp duty land tax system at a relatively high level. This may well also have resulted in heightened frustration and an increasing loss of confidence in the stamp duty land tax system as a whole.

### *2. Introduce a package of operational and process changes*

**1.5** HM Revenue & Customs decided that where prudent it would bring about changes in response to its customers' representations.

#### **The Introduction of E-Filing of Stamp Duty Land Tax Returns**

**1.6** E-Filing makes the submission of land transaction returns simpler for the taxpayer and their property law advisers in several ways. Many problems associated with the administration of stamp duty land tax are because of the submission of incorrect or incomplete forms and the subsequent requests for further information (via form SDLT8) that are generated. This can also result in delays in the issue of the land transaction certificate required for registration of the property transfer. Stamp duty land

tax e-filing ensures that all the required data is entered so should all but eliminate the need for further information requests.

**1.7** In addition, the e-forms pre-populate the answers wherever possible, in effect answering questions on behalf of the user. Only the information that is necessary for any particular transaction is asked for. So the number and type of questions that are asked will depend on the specifics of each transaction. In the vast majority of cases this will significantly reduce the number of questions asked compared with if they filled out the full land transaction return themselves.

**1.8** To further increase convenience, where an address is the same as one already entered elsewhere the user is presented with the option of copying the address, and so avoids having to fill in the same information twice.

**Modifications to the scanning process to increase the scanning success rate**

**1.9** The return forms are scanned so they can be processed electronically. To be scanned successfully requires that the responses to questions are written wholly within the boxes provided on the forms. If this is not the case then a form SDLT8 is issued requesting the missing or misread information. The area that the scanners examine was widened to encompass a small area around each answer box on the form to allow answers that overlap the boxes slightly to still be readable by the system.

**Modifications to the validation process to increase the scanning success rate**

**1.10** HM Revenue & Customs have introduced a greater degree of flexibility in how the returns can be filled in by amending the validation checks that are made on each form. For instance some practitioners often leave certain Yes/No questions blank as the follow up questions do not apply to the particular transaction. This used to result in a form SDLT8 being issued as the system simply viewed the question as not having been answered. Where there is no cause for confusion (or for incorrect data) the validation checks have been removed on these particular questions.

**1.11** In addition, a number of other rules have been relaxed governing whether forms are correctly completed where those rules proved to be unnecessary. For example the type of characters accepted has been broadened in some places beyond the standard alpha-numeric set so as to be able to accept more entries in those fields.

**Stopping of demands for additional information going to both customer and agent**

**1.12** Form SDLT8s were automatically sent to both the legal agent and customer when additional information was required. This could often upset both parties; the customer wondered why the agent hadn't provided a particular piece of information, the agent annoyed at looking incompetent in her client's eyes. Now, if HM Revenue & Customs are notified that the agent will be dealing with any correspondence, any form SDLT8s are sent to the agent alone thus removing a point of annoyance for customers and agents alike.

**Allow return of additional information without the need for the customer's signature**

**1.13** When form SDLT8s were issued Government required the customer's signature on the returned form as a declaration that new information supplied was correct and complete to the best of their knowledge. This often caused delays as agents struggled to obtain customers' physical signatures quickly. This requirement has now been ended, allowing agents to return form SDLT8s on their own authority, and thus removing another source of discontent in the stamp duty land tax system.

## **Rationale for Intervention**

**1.14** The need to complete self-assessed tax returns for property transactions was a significant change from the process under stamp duty. It was clear that (for a range of reasons) the new process was creating significant issues for conveyancing practitioners. This in turn could result in delays in the legal registration of property transactions. The changes proposed delivered a balance between making it easier for a return to be accepted first time and the need for accurate information. Similarly the introduction of e filing supported customers in submitting correct returns first time and in submitting the information quickly.

## **Consultation**

**1.15** The issues addressed by the process changes had been raised by representative bodies such as the Law Society of England and Wales and the Law Society of Scotland in their regular meetings with stamp taxes staff. The changes were welcomed by the professional bodies. Consultation on process changes continues through the stamp duty land tax Working Together Group.

## **Cost and Benefits**

### ***Sectors and Groups Affected***

**1.16** All solicitors, conveyancers and legal professionals dealing with land transactions (and their clients) have benefited from these changes. Overall requests for additional information, i.e. cases where the initial submission was not fully accepted for one reason or another, have dropped from 35 per cent of all cases to 15 per cent.

### **Costs**

**1.17** HM Revenue & Customs is unaware of any additional costs for customers or Government as a result of these changes.

### **Benefits**

#### ***E-Filing***

**1.18** E-filing now accounts for 8 per cent of all stamp duty land tax returns. On no occasion has it been necessary to issue a request for further information. However a small number of e-returns (less than 2 per cent) have failed to pass through the secure Government Gateway. Where e-filing has been taken up agents have benefited enormously. As well as stamp duty land tax submission being made faster by e-filing agents are also receiving the certificates much faster as a result, usually within five days.

#### ***Scanning Improvements and Validation Changes***

**1.19** The changes to the scanning process and the validation checks have reduced the overall number of requests for additional information from 35 per cent of all returns submitted to 15 per cent overnight. In addition, whereas scanning errors previously generated 15 per cent of all such requests, they now account for only 5 per cent of the (much reduced) total.

### ***Changes to the way additional information is collected***

**1.20** Not sending any request for additional information to the end client as the liable person for the transaction as a matter of course when an agent has been indicated, has been a welcome relief to many property law practitioners. While this change hasn't reduced the numbers of requests for more information per se, it has helped to smooth the process and made it somewhat less onerous for agents and their clients. In addition, by not insisting on the client's signature confirming any additional information, an unnecessary cause of delay in returning the form SDLT8 has been removed, thus ensuring a smoother running end to end process.

### **Small Firms Impact Test**

**1.21** These changes should have made life easier for all firms involved in filing stamp duty land tax returns. There will be a reduction in the burden placed on solicitors and conveyancers making land transaction returns with no increases in costs or administration. As the majority, around 95%, of legal practitioners are small firms these measures will have a disproportionately positive impact on small businesses in the sector affected.

### **Competition Assessment**

**1.22** These changes will have little or no effect on competition within the markets to which they apply, namely the conveyancing and property law professions. The measures have passed the competition filter test. There are no additional costs associated with these changes and they do not affect any firms substantially more than any others. The property law sector is not dominated by a small number of practices and these changes will have little or no effect on the structure of the market.

### **Implementation and Delivery**

**1.23** E-filing went live on 13 July 2005 but initially its existence was only made known to a handful of companies. This allowed a period of testing to take place before it was formally launched nationally on 1 October 2005. Since then more changes have been made to the system and responses continue to be monitored in order that improvements can be made.

**1.24** The changes to the scanning parameters were brought in early August 2005. This was swiftly followed by the introduction to the validation checks on 18 August 2005. Due to the nature of these changes their effects were immediate upon their implementation.

**1.25** The ending of both automatically sending additional information requests to the customer and their agent and of the requirement for a customer's signature with the returned information was implemented on 14 September 2005. Again this was brought in with immediate effect.

### **Post-implementation Review**

**1.26** The final RIA for Modernising Stamp Duty, published in March 2004, announced a post-implementation review within three years. It was promised that the review would examine compliance costs for business and individuals, solicitors and conveyancers, and would review the additional yield and effectiveness of the compliance measures brought in as part of the new stamp duty land tax regime.

**1.27** HM Revenue & Customs will now include these measures within the scope of that post-implementation review and examine the benefits brought about by these operational changes.

## **Enforcement, Sanctions and Monitoring**

**1.28** Stamp duty land tax has been continually monitored since its introduction in December 2003. As well as feedback through the stamp duty land tax help-line, several surveys have been conducted on practitioners experiences of the new tax. Close contacts have been maintained throughout with practitioners representatives and the law societies. These channels of communication will continue beyond the implementation of these changes and have enabled Government to evaluate their effectiveness almost immediately.

**1.29** Through the stamp duty land tax Working Together Steering Group and its sub-groups Government continues to work with all the key stakeholders of stamp duty land tax. Here stakeholders continually assess the performance of the stamp duty land tax regime, suggest ideas for improvements and evaluate changes that have already been made. This is a vital tool for gauging the effectiveness of any changes in the stamp duty land tax system.

## **Summary and Recommendations**

**1.30** Government continues to listen to its customers and their representatives. Process changes that are more complex to enact are currently under consideration for the future.

## **Contact Point**

Declan Norris  
HM Revenue and Customs  
Stamp Taxes  
GC14  
100 Parliament Street  
London  
SW1A 2BQ

Tel: 020 7147 2791

E-mail: [declan.norris@hmrc.gsi.gov.uk](mailto:declan.norris@hmrc.gsi.gov.uk)

**OPERATIONAL IMPACT ASSESSMENT**  
**Operational and Process Changes to Stamp Duty Land Tax**

**Statement of Ministerial Approval**

I have read the Operational Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:

Ivan Lewis  
Economic Secretary to the Treasury

Dated: 8 March 2006