

Summary: Intervention & Options

Department /Agency: HMRC	Title: Impact Assessment of Bulk and specialist information powers	
Stage: Consultation	Version: 0.1	Date: 1 July 2009
Related Publications: Consultation document: Modernising Powers, Deterrents and Safeguards: bulk and specialist information powers		

Available to view or download at:

<http://www.hmrc.gov.uk>

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What is the problem under consideration? Why is government intervention necessary?

Due to the large number of taxpayers and the need to keep down the cost of administering the tax system, HMRC cannot check every single tax return in depth. HMRC carries out risk analysis to select which returns need to be checked further. It therefore has specific bulk information powers in order to ask certain organisations for specified information about taxpayers to aid risk analysis.

What are the policy objectives and the intended effects?

Most of HMRC's bulk information powers are decades old. A great deal has changed since then in terms of how people work with data and the reasons why some people pay less tax than is due. Data has moved from paper to electronic storage, where information is more easily used but where there are new security risks. Further, HMRC's new compliance checking powers at Schedule 36 to FA 2008 give a new model for what safeguards should apply to information powers. The policy aim is to bring HMRC's bulk information powers to meet these new challenges and new expectations

What policy options have been considered? Please justify any preferred option.

1. Do nothing, or 2. Reform and modernise HMRC's bulk and specialist information powers. Option 2 is the preferred option.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Post implementation review would take place around three years after the full implementation of any option.

Ministerial Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



Date: 1 July 2009

Summary: Analysis & Evidence

Policy Option: 1

Description: Do nothing

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups'	
	One-off (Transition)	Yrs		
	£ Nil			
	Average Annual Cost (excluding one-off)			
	£ Nil		Total Cost (PV)	£ Nil
Other key non-monetised costs by 'main affected groups' Taking this approach would mean missing the opportunity to extend the modernisation of HMRC's information powers.				

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups'	
	One-off	Yrs		
	£ Nil			
	Average Annual Benefit (excluding one-off)			
	£ Nil		Total Benefit (PV)	£ Nil
Other key non-monetised benefits by 'main affected groups' The current information powers would be familiar to taxpayers, agents and HMRC.				

Key Assumptions/Sensitivities/Risks Current difficulties in terms of information sometimes being late or inaccurate would continue.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?	UK-wide			
On what date will the policy be implemented?	Already in place			
Which organisation(s) will enforce the policy?	HMRC			
What is the total annual cost of enforcement for these organisations?	£ n/a			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£ n/a			
What is the value of changes in greenhouse gas emissions?	£ n/a			
Will the proposal have a significant impact on competition?	No			
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of	£ Nil	Decrease of	£ Nil
		Net Impact	£ Nil

Key: Annual costs and benefits: (Net) Present

Summary: Analysis & Evidence

Policy Option: 2	Description: Reform and modernise HMRC's bulk and specialist information powers
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups'	
	One-off (Transition) Yrs		
	£ To be quantified		
	Average Annual Cost (excluding one-off)		
£ To be quantified	Total Cost (PV)	£ To be quantified	
Other key non-monetised costs by 'main affected groups' Costs to HMRC, taxpayers and agents of becoming accustomed to new rules. For some, costs of using a prescribed format for information returns.			

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups'	
	One-off Yrs		
	£ To be quantified		
	Average Annual Benefit (excluding one-off)		
£ To be quantified	Total Benefit (PV)	£ To be quantified	
Other key non-monetised benefits by 'main affected groups' New safeguards for taxpayers. Potential for earlier starts to compliance checks, and more accurate and targeted checking, reducing the administrative burden on compliance taxpayers who are less likely to be checked, and if they are checked for this to be less burdensome.			

Key Assumptions/Sensitivities/Risks Increased safeguards would reduce risks of onerous information requests. Other changes would improve accuracy and timing of provision of information.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?		UK-wide		
On what date will the policy be implemented?		Not before April 2010		
Which organisation(s) will enforce the policy?		HMRC		
What is the total annual cost of enforcement for these organisations?		£ n/a		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		No		
What is the value of the proposed offsetting measure per year?		£ n/a		
What is the value of changes in greenhouse gas emissions?		£ n/a		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)	
Increase of	£ Not known	Decrease of	£ Not known
		Net Impact	£ To be quantified

Key: Annual costs and benefits: Constant Prices (Net) Present Value

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Introduction

This impact assessment accompanies the consultation document “Modernising Powers, Deterrents and Safeguards: bulk and specialist information powers”, published in June 2009.

The Finance Act 2008 introduced provisions for a new HMRC civil compliance checking framework for the main taxes: IT (including PAYE and the Construction Industry Scheme), CGT, CT and VAT. This framework included new information powers for HMRC working across taxes.

HMRC is now looking to review its remaining information powers. These include bulk information powers, using which HMRC obtains information about large numbers of unidentified taxpayers. It uses this information to better target its compliance checking.

Policy Option 1: Do Nothing

Most of HMRC’s bulk information powers are decades old. A great deal has changed since then in terms of how people work with data and the reasons why some people pay less tax than is due. Data has moved from paper to electronic storage, where information is more easily used but where there are new security risks. Efforts to pay less tax have become more complex, more international, and more difficult to detect from just a tax return. This means it is more important than ever for HMRC to gather the right information in a timely and accurate fashion.

The advantage to doing nothing would be that those who are affected by bulk information powers currently are aware of what they are and how they work. Any change risks imposing costs on business.

However, there are currently problems with some information providers submitting information late, inaccurate, incomplete or in a format which is unreasonably costly for HMRC to process. Further, the way in which the current penalty regime works means that in some sectors it fails to deter some from failing to provide the information. To make sure HMRC’s bulk information is not made ineffective by only having partial coverage, and to make sure there is a level playing field for those who do provide the information HMRC needs, this consultation puts forward proposals for reforms of bulk information powers.

HMRC’s current specialist information powers are effective in the narrow circumstances where they are used, and we have not received significant criticism of them from taxpayers and representatives. However, recent changes to other information powers provide an opportunity to review these powers and make sure they are accompanied by appropriate safeguards.

Policy Option 2: Modernised bulk and specialist information powers

New proposals: Impact

Data security: Specifying where bulk information should be sent to

This would allow HMRC to specify a place to which bulk information must be sent, that need not be to an officer of HMRC. This would mean data could be sent directly to HMRC’s IT partners.

The impact of this change is likely to be negligible. Providers will be carrying out similar activities in order to send the data.

Administrative Burdens: Specifying bulk information and format before start of period

If HMRC did more to specify in advance what bulk information it would ask for and in what format, there would be potential for reduced administrative burdens. HMRC would be grateful for views on how significant these would be.

Specifying format

Specifying a format for information required under sections 18A and 19 of TMA could increase administrative burdens on those who provide this information. These are those who make payments out of public funds, those who maintain licences, approvals or registers, and property businesses. However, in return it will ensure that HMRC is able to make use of all the information received to better target its compliance checking. HMRC would be grateful for views on how significant any administrative burdens would be.

Working across taxes

This would allow bulk information gathered to be used across taxes, rather than just income tax, capital gains tax and corporation tax. This may mean that in a small number of cases HMRC would ask for information where in the past it has not, for example in order to check for risks of underpaid VAT. Such requests would be made only where the information is most useful to allow for better targeted compliance checks, which in turn reduces administrative burdens to those who would otherwise have been needlessly checked.

The impact on taxpayers will depend on the extent to which bulk information powers are used for other taxes in a given year. This will in turn depend on HMRC's assessment of the type and levels of underpayment of tax in that year, and the extent to which it is not already covered by current information requests.

Identifying taxpayers

This would require certain providers of bulk information to obtain from their customers a personal identification number such as the National Insurance Number.

To some extent financial institutions already do this. But this is not across the board, and other providers of bulk information do not. There would therefore be an increased administrative burden from this requirement. The alternative is for HMRC to invest further in technology to match individuals, although this will always carry some risk of misidentification of taxpayers. HMRC welcomes views as to which approach it should take.

Completeness of returns

This would require providers of bulk information to sign a declaration that the return is complete. This would be a simple declaration, and would only confirm that providers have done what they are already required by law to do. The administrative burden would therefore be negligible. The benefit to HMRC would be that it did not have to take up resource determining whether the information that has been sent is all that will be sent.

Deadlines

A reduction in the amount of time allowed to provide bulk information is likely to have some administrative burden, as some processing would have to be done faster. It is hoped that telling providers in advance what they need to provide will mitigate this burden. The benefit of HMRC receiving information sooner would be that checking could take place sooner after the submission of a tax return. A shorter deadline is standard in other countries. HMRC would be grateful for views on how great the increased administrative burden would be.

Deterrents

This would streamline the process of issuing a penalty for failure to provide information by allowing HMRC to charge the penalty, with a right of appeal to the tribunal. HMRC does not envisage any administrative burden on those who comply with the rules. There will be a benefit from a level playing field, as there will be a more effective deterrent against those who do not provide the information that their competitors do.

New bulk information powers

A power to ask for information about non-registered traders making supplies higher in value than the VAT threshold

There would be an additional burden on larger firms who would be asked for information under this power. To some extent this is a burden to which they were already subject under VATA 1994 information powers up until 1 April 2009. These firms would usually have automated accounting systems that would allow them to produce such a report at little cost.

A power to ask for information about lettings agents introductions of tenants

There would be an additional burden on lettings agents from asking them for this information. However, lettings agents could be expected to have this information available for commercial purposes. Against this administrative burden is the benefit to HMRC of being able to detect landlords who are not declaring tax from letting property. It may help level the playing field between landlords whose property is managed by a lettings agent and those who employ agents for introductions only, since introductions only would no longer be a way to avoid HMRC hearing of the letting. HMRC would be grateful for views on how great the increased administrative burden would be.

New appeal rights

This would allow providers to appeal against an information request that they believe to be unduly onerous and which was not made clear to them before the start of the period for which the information is requested. This provides a safeguard against disproportionate administrative burdens. HMRC would be grateful for views on how useful this would be.

Specialist information powers

Applying a framework of safeguards similar to those in Schedule 36 of Finance Act 2008 to specialist information powers would give protection to information providers against unreasonable information requests. This would give protections against disproportionate administrative burdens.

New specialist information powers

A power to ask promoters of avoidance schemes to identify those using those schemes

There would be an additional administrative burden on promoters of avoidance schemes. They would have to keep a record of who is using each scheme and share this record with HMRC. To some extent they should already have a similar record, since they have to issue a scheme number to those using a scheme. Against this administrative burden is the benefit to HMRC of being better able to identify taxpayers who may have omitted to declare their use of a scheme. This includes being able to check that the scheme is being used correctly, and that tax is not

due. HMRC would be grateful for views on how great the increased administrative burden would be.

Revenue

These proposals would mean that HMRC's risk information was more comprehensive and more accurate. It would also mean it was available for carrying out risk assessments earlier. The result would be more accurately targeted compliance checking, and that checks themselves can focus on the areas of highest risk. This would mean higher yield from checks alongside less time spent checking.

Costs

Each of the suggested measures would have a different impact on the costs to those providing HMRC with information, as set out above. This consultation seeks views as to how great these impacts would be.

There would be a risk that new appeal rights would slow down HMRC's working. This could delay HMRC action in dealing with new risks of non-compliance. To reduce this risk HMRC would work with data providers to make sure that data requests are reasonable.

Benefits

HMRC would be more able to obtain the risk information it needs in a timely fashion, accurate and comprehensive, and in a form that can be used and integrated with information from other sources. Modern safeguards will work to protect information providers from unreasonable requests.

The descriptions above set out initial analysis of the costs and benefits of individual suggestions. Overall, improved bulk information for HMRC would be of benefit to all compliant taxpayers. It would mean that HMRC checks were better targeted to those who are underpaying tax, so that those who are paying the right amount were less likely to be checked.

Specific Impact Tests

Full details of the specific impact tests are listed at:
http://bre.berr.gov.uk/regulation/ria/toolkit/specific_impact_tests.asp.

These have been applied to the proposals for reforms of bulk and specialised information powers.

Competition assessment

The competition filter has been applied at this stage, and the preferred option found to have little or no competitive impact.

Small firms impact test

HMRC's bulk information powers apply equally to small firms as to larger firms. This is necessary so that HMRC gains a complete picture of risks of underpaid tax. It is important that fraudsters cannot evade having information about them shared with HMRC by using a smaller firm.

These proposals would not significantly increase legal aid impacts.

These proposals are in accordance with the principles of sustainable development. In particular more effective finance arrangements across taxes promote good governance and a sustainable economy.

These proposals will have no significant impact on emissions of greenhouse gases, or other environmental impact.

These proposals will have no significant impact on health and well-being.

These proposals will have no significant race equality impact.

These proposals will have no significant disability equality impact.

These proposals will have no significant gender equality impact.

These proposals are compatible with the Human Rights Act.

These proposals will not have a significant different effect in rural areas.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes