

Summary: Intervention & Options

Department /Agency: HMRC	Title: Impact Assessment of Excise Compliance Checks and Modernisation of Administrative Law	
Stage: Consultation	Version: 1.0	Date: 25 June 2009
Related Publications: Consultation Document – Modernising Powers, Deterrents and Safeguards: Excise: Compliance Checks and Modernisation of Administrative Law		

Available to view or download at:

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

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

Excise legislation has evolved over many years, resulting in different systems and procedures applying to different regimes. These differences impact particularly on those involved in the production, holding and movement of alcohols, tobacco and oils. While there are good reasons for this in some cases, in others it has led to duplication of information and unnecessary administrative complexity. More generally across the taxes and duties they are responsible for, HMRC inherited tax-specific powers which prevent them taking a whole taxpayer (or claimant) view when checking a tax position. A modernised compliance checking framework for excise will minimise the impact of checks and enhance HMRC's effectiveness at detecting non-compliance and improve certainty.

What are the policy objectives and the intended effects?

Following the 2008 Finance Act (FA 2008) and with the proposed extension in the 2009 Finance Bill (FB 2009), HMRC will have aligned record-keeping requirements, information and inspection powers and assessment and claim time limits across the majority of taxes and duties for which they have responsibility. Excise duties have been the main exception. Modernised checking powers for excise, aligned or parallel to other taxes and duties where appropriate, will give HMRC the ability to check risks across taxes and duties. This in turn should reduce and simplify administration for taxpayers who deal with multiple taxes. Doing so also provides a timely opportunity to make broader changes to excise regimes to reduce complexity and support businesses in reducing their administration burden.

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

1. Do nothing
2. Modernise the excise administrative provisions
3. Modernise the excise compliance checking powers, including alignment of record-keeping rules and time limits for assessing additional duty due or making claims for duty relief.

Options 2 and 3 together are preferred. It will make systems and procedures simpler for taxpayers to administer by removing duplication and unnecessary complexity. It will allow HMRC to fully realise the benefits of alignment across taxes and provide a single system of checks which better protect taxpayers.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? A post implementation review will take place between 1 – 3 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.


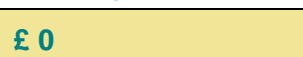


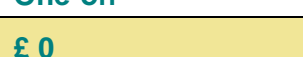
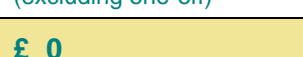
Date: 04/07/2009

Summary: Analysis & Evidence

Policy Option: 1

Preserve the Status Quo

COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' On-going costs for traders to comply with complex administrative framework, including multiple registration/authorisation processes. HMRC less effective in protecting the duty at risk within excise regimes, and in tackling illicit trade.
	One-off (Transition) Yrs 	
	Average Annual Cost (excluding one-off) 	
	Total Cost (PV)	
Other key non-monetised costs by 'main affected groups' There would be an opportunity cost to HMRC. The high admin burden associated with excise regimes would continue impacting on costs for traders. HMRC compliance checks would continue to operate under a complex and disjointed legislative regime, making it hard for traders to understand their rights and responsibilities		

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' This option would mean not pursuing the wider issues in a structured way and missing the opportunity to improve the excise administrative and checking systems.
	One-off Yrs 	
	Average Annual Benefit (excluding one-off) 	
	Total Benefit (PV)	
Other key non-monetised benefits by 'main affected groups' Over the long term there may be unforeseen costs in failing to modernise the system now.		

Key Assumptions/Sensitivities/Risks

HMRC would miss an opportunity to modernise one of its key areas of responsibility, risking its reputation with excise traders who have witnessed changes to improve the framework across the main, and other, taxes.

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
On what date will the policy be implemented?	Not yet Known
Which organisation(s) will enforce the policy?	HMRC
What is the total annual cost of enforcement for these organisations?	£
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?	£
What is the value of changes in greenhouse gas emissions?	£
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 No No

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

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

Summary: Analysis & Evidence

Policy Option: 2

Modernise the excise administrative provisions

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups'. Registered or authorised excise businesses, and others involved in affected regimes, would have to familiarise themselves with any changes. The cost will depend on the number of changes. There would also be one-off costs to HMRC as a result of changes to guidance and staff training.	
	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' The consultation seeks views on practical consequences and impacts. In particular, it asks for options for minimising the burdens associated with the registration and authorisation for goods based duties, including goods in warehouse; an aligned error correction process; and a single return for alcohol production.				

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Excise businesses would benefit from simplified administration, and reduced duplication of information. For those involved in more than one alcohol activity, the proposals would provide greater flexibility in the way they structure their business and facilitate their ability to diversify or respond to market trends.	
	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' Modernisation of the excise regimes will reduce burdens and will provide a simpler structure for those involved in those regimes.				

Key Assumptions/Sensitivities/Risks The options as set out are designed to facilitate existing good business practices. As such they are not intended to have any significant impact upon overall revenue receipts.

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?		United Kingdom	
On what date will the policy be implemented?		Not Known	
Which organisation(s) will enforce the policy?		HMRC	
What is the total annual cost of enforcement for these organisations?		£	
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?		£	
What is the value of changes in greenhouse gas emissions?		£	
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	No No

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

Key: Annual costs and benefits: (Net) Present

Summary: Analysis & Evidence

Policy Option: Modernise the excise compliance checking powers

3

COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups'. HMRC anticipates there will be no additional cost to compliant taxpayers as more checks are not envisaged. There will be costs for HMRC to train staff and write guidance. There will be one-off training costs for some agents. HMRC will share the training. Similar changes for all other taxes has an estimated cost of £225,000.				
	<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">One-off (Transition)</td> <td style="text-align: center;">Yrs</td> </tr> <tr> <td style="text-align: center;">£</td> <td></td> </tr> </table>		One-off (Transition)	Yrs	£	
	One-off (Transition)		Yrs			
	£					
<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Average Annual Cost (excluding one-off)</td> </tr> <tr> <td style="text-align: center;">£</td> </tr> </table>	Average Annual Cost (excluding one-off)	£				
Average Annual Cost (excluding one-off)						
£						
Total Cost (PV)	£ To be quantified					

Other **key non-monetised costs** by 'main affected groups' As with any change in policy there will be an initial familiarisation process with the new compliance checking framework. This will be minimised by giving guidance to taxpayers and agents on how the framework works and the safeguards available.

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups' Benefits from quicker checks cannot readily be quantified as it is difficult to compare existing checks to those which may be possible under the proposed framework. There may be a small reduction in taxpayer costs from cross-tax checks. Timescales will vary between businesses.				
	<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">One-off</td> <td style="text-align: center;">Yrs</td> </tr> <tr> <td style="text-align: center;">£</td> <td></td> </tr> </table>		One-off	Yrs	£	
	One-off		Yrs			
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<table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Average Annual Benefit (excluding one-off)</td> </tr> <tr> <td style="text-align: center;">£</td> </tr> </table>	Average Annual Benefit (excluding one-off)	£				
Average Annual Benefit (excluding one-off)						
£						
Total Benefit (PV)	£ Not quantifiable					

Other **key non-monetised benefits** by 'main affected groups' This option will benefit compliant taxpayers and those who have made mistakes in their tax declarations. Taxpayers will have greater safeguards against the inappropriate use of information and inspection powers.

Key Assumptions/Sensitivities/Risks While this option should help to reduce taxpayers' compliance costs and make HMRC more efficient in carrying out its responsibilities, HMRC does not have the evidence base to provide accurate figures for the overall impact. HMRC expects to quantify some of these benefits in consultation and some as part of the post implementation review.

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?	United Kingdom			
On what date will the policy be implemented?	Not Known			
Which organisation(s) will enforce the policy?	HMRC			
What is the total annual cost of enforcement for these organisations?	£			
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?	£			
What is the value of changes in greenhouse gas emissions?	£			
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	No	No

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

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

Evidence Base (for summary sheets)

Introduction

HMRC has approximately 11,000 customers across the different excise regimes, ranging from large to small businesses. Taxpayers within these regimes bring in over £45 billion per year, the vast majority from a small number of big players. This represents 10 per cent of the total amount of revenue collected by HMRC each year.

This revenue is generated within the following excise regimes which are examined in this consultation:

- goods for consumption: alcohol (beer, wine, made-wine, cider, perry and spirits), tobacco and energy products, including the holding and movement of such goods in duty suspension;
- gambling: profits based (general betting duty, bingo duty, pool betting duty, gaming duty and remote gaming duty); and by ticket sales (lottery duty); and
- air passenger duty (APD) charged on chargeable passengers in chargeable aircraft.

In the period since 2005 HMRC has seized nearly 15 million litres of alcohol with a taxable dutiable value of over £33 million, issued demands for more than £178 million of evaded duty and prosecuted 15 major criminal gangs who were involved in alcohol fraud.¹

For oils² in the period since 2005, 4 million litres of diesel has been confiscated, 84 fuel laundering plants have been disrupted and 45 criminal convictions have been successfully obtained.

For tobacco, in the period since 2000 HMRC has seized over 14 billion cigarettes and more than 1000 tonnes of hand rolling tobacco in the UK and abroad. It has broken up over 370 criminal gangs, successfully prosecuted over 2,000 people and issued over £35 million worth of Confiscation Orders³.

HMRC needs effective powers to be able to counter this level of threat.

All persons involved in any way with goods or services liable to excise duty within these regimes are known as Revenue Traders and are subject to excise legislation, they are therefore potentially affected by any changes. This can include for instance supermarket operators, restaurants, hauliers, financial institutions and computer consultants.

Annex A includes a more detailed list of excise sectors covered by this consultation, and a list of the most common types of revenue trader. Annex B provides indicative figures of the numbers involved in and the amounts generated by the main excise regimes.

Policy objectives and intended effects

HMRC is nearing the end of a project to develop a new HMRC civil compliance checking framework to replace the patchwork of powers in place at the formation of HMRC. This was confusing for taxpayers and since many of HMRC's taxes were designed a long time ago, there was also a lower level of taxpayer safeguards.

The framework introduced in the 2008 Finance Act (FA2008) and proposed for extension in the 2009 Finance Bill addresses this by providing common rules to cover the majority of taxes and duties that HMRC have responsibility for. The framework includes:

- aligned, high level record-keeping requirements with scope for detailed rules in regulations;

¹ Figures from the "Renewal of the Tackling Alcohol Fraud" Strategy published by HMRC and UKBA at Budget 2009 <http://www.hmrc.gov.uk/budget2009/tackling-alcohol-2850.pdf>

² HMRC Autumn Performance Report 2008 p.53 <http://www.hmrc.gov.uk/about/autumn-report-2008.pdf>

³ Figures from "Tackling Tobacco Smuggling Together" published by HM Revenue and Customs and the UK Border Agency in November 2008 <http://www.hmrc.gov.uk/pbr2008/tobacco-2800.pdf>

- a right for HMRC to inspect records which are required to be kept and to inspect business premises and business assets;
- information powers to ask taxpayers⁴ and third parties for information by way of a written notice with a right of appeal; and
- aligned time limits for making assessments and claims.

Excise duties are the main exception. Therefore to complete this work HMRC is looking at whether elements of this framework should now be extended to cover excise regimes, either in a similar, modified or parallel form. As well as exploring what additional information and inspection powers are needed to address the revenue risks associated with goods based regimes. HMRC are taking the opportunity to look at modernising areas of the excise framework, where possible. The aim is to simplify the procedures and processes involved for taxpayers engaging in the regime, at the sametime as clarifying what is expected in relation to compliance.

The main focus of current excise powers is to enable HMRC officers to check that goods held or moved in duty suspension do not enter the market without duty being paid and to check the quality of excisable goods coming into the UK market (e.g. whether the diesel being sold through petrol stations is safe).

The review of the compliance checking provisions is being undertaken over a longer timescale than for other HMRC taxes, to enable it to be considered in the context of the wider modernisation of excise administration. The main elements of the modernisation agenda are:

- a single registration system across the excise regimes;
- greater flexibility on the conditions of use for tax warehouses;
- aligned error correction procedures; and
- a single duty return across alcohol production regimes.

The changes that are made should fit with the comparable powers which operate in respect of customs duties and international trade, which will also be subject to HMRC review over the next few years.

The consultation will explore different ideas and options. HMRC is not limited to the options listed on page 1 of this Impact Assessment. More detail about the elements of these proposals is set out under Policy Options 2 and 3 below:

Policy Option 1: Preserve the status quo (Not Recommended)

Current Administration Requirement

The current administration requirements within the excise regimes are burdensome, disjointed and in certain areas, out-dated. The current system requires different licensing, authorising and registration processes to be undertaken not only across the different excise regimes but in some instances within one regime. For example one business within alcohol will need to have multiple registrations and authorisations to produce, sell and store different products.

This not only places an administrative burden on businesses but also requires them to know and understand the range of conditions that apply to the different approvals.

Current Record-keeping rules

There are generic rules for excise about keeping records and the information in records. HMRC's approach to record-keeping has now been aligned for the majority of HMRC taxes (Schedule 36 FA 2008 and Schedule 50 FB 2009). Excise is therefore now out-of-line with other taxes (notably VAT), and this lack of consistency across regimes has the potential to be confusing for taxpayers, especially those who deal with those other taxes.

⁴ Taxpayer for the purposes of this document includes claimants.

Current Information and Inspection Powers

The current information and inspection powers for excise duties have developed over a long period of time. Some elements have grown up in a piecemeal, rather than a co-ordinated, strategic way, others to target specific risks. The result is a complex range of legislation affecting the different excise duties, such as the Customs and Excise Management Act 1979 to duty or regime specific secondary legislation, such as the Hydrocarbon Oils Regulations 1973.

This mixture of legislation provides a broad range of powers to be applied to excise regimes. However the wide range of regulations that can be drawn on does not make it easy for the taxpayer to understand what powers and safeguards are applicable to their business.

Current assessing and claim time limits

The time limits for excise duties were traditionally aligned with VAT and other indirect taxes (insurance premium tax and the environmental taxes - aggregates levy, climate change levy and landfill tax): a 3-year assessing and claim time limit, with a 20-year assessing time limit for fraud. With the changes to time limits for VAT in FA2008, and those proposed for other indirect taxes proposed in FB 2009, excise duties are now out of line, running the risk of increased confusion for taxpayers.

Option 2 – Modernise the excise administrative provisions (Recommended)

The current excise law has evolved over many decades and, as a result, can be complicated and does not necessarily reflect modern commercial practices. HMRC has been working with alcohol trade associations over a number of years towards a desired future vision and a number of areas have been identified where there is scope for modernisation of the administrative processes involved. Most have already been discussed with trade bodies for the industries most affected.

The ideas primarily maintain the principles of supporting those who are trying to get things right by simplifying and aligning rules. This simplification and alignment should in turn reduce administrative burdens highlighted by the KPMG report on administrative burdens.

Streamlining registration and authorisation procedures

There are currently a variety of different systems to “register” “authorise” and “licence” persons to produce, hold and move excise goods. To reduce complexity HMRC proposes that there should be a single system for authorisation of those who produce, hold and move excise dutiable goods (alcohol, tobacco and oil). The current excise licence for these goods would also be abolished. Transition to the new system might mean that existing businesses will be asked to confirm the registration details held but HMRC will seek views on how to minimise this administrative burden.

The “Unitary Warehouse” concept for alcohol drinks traders

The current legislation requires segregation of activities in each alcohol regime. In future HMRC want to provide flexibility for cross regime activities. The proposal is to introduce a “unitary warehouse” concept where there are fewer restrictions on trade activities, as long as suitable measures are in place to protect the revenue. For example, a person could apply to HMRC to be registered to manufacture spirits. The registration would set out the range of activities they are undertaking and where. Following initial registration the trader would simply notify HMRC if they later wish to diversify into beer production giving details of any new premises and activities etc. As now, HMRC would have the discretion to refuse the authorisation in certain circumstances, for example because of poor compliance. There would be a right of appeal against any such refusal.

The objective of this proposal is trade facilitation and no costs are expected since it would be optional for traders which wish to take advantage of it.

Making entries of premises - section 108 CEMA

Current legislation requires a trader to provide detailed plans of their sites specifying where certain products and vessels are located (the “entry” of the premises). As a simplification HMRC are proposing that at the time of application for registration/approval, the applicant would only need to submit a simple map or details rather than the traditional detailed plans. This would allow traders to change the use of vessels in order to respond quickly to commercial needs without facing penalties.

Throughput conditions for approval of third party warehouse

In order for HMRC to consider approving premises as a warehouse there are minimum throughput levels which must be met. These act to keep the numbers of premises under HMRC control to a manageable level. The proposal is to update the figures to keep them relevant. It would only affect new applicants.

Trade Facility Warehouses

A trade facility warehouse is one where goods may be stored in duty suspension for one of the following purposes:

- the maturation of spirits produced at an associated distillery
- goods which will not bear UK excise duty, for example, goods for export, goods used in pharmaceuticals, goods used in foodstuff, removal for use as ship or aircraft stores
- performing any allowable operation on the goods
- any other purpose allowed by HMRC.

Trade Facility warehouses do not have to meet the throughput levels of a General Storage and Distribution warehouse but HMRC will restrict any approval to the specific trade need. Traders are not allowed to receive, hold or move duty-suspended excise goods outside of the terms of the approval. A trade facility warehouse will also become a tax warehouse following changes introduced by Holding & Movements Directive 08/118 HMRC are therefore considering how the criteria might need revising or maintaining.

Error Correction

Some of the excise regimes already allow amendments to returns where amounts are over or under stated (error correction arrangements) but not all. Extending this across all excise regimes will reduce the administrative burden of notifying HMRC of such corrections with the final benefit depending on the threshold set.

Single production return for all alcohol duties

In line with the removal of regime specific restrictions within warehouses, HMRC is considering developing a single, consolidated return to replace the separate returns for each drinks producer.

Option 3 – Modernise the excise compliance checking powers, including record-keeping requirements and time limits for assessing additional duty due or making claims for duty relief (Recommended)

Reviewing the modernisation of administrative processes within excise logically leads into the review of compliance checking. If the consultation is successful it will result in simpler conditions across the board, with the taxpayer better able to understand their position, rights and responsibilities, and with HMRC better able to carry out more risk-based, and quicker, checks.

The way in which HMRC checks that the right tax has been paid across the majority of HMRC taxes and duties is broadly similar. But there are key differences in the types of check required for goods based

excise duty regimes and those required for other HMRC taxes and duties where the focus is much more on paper audit. These are predominantly the risks associated with the goods themselves, including their holding and movement in duty suspense, and the incentive for people to involve themselves in the illicit market for those goods.

FA 2008 Record-keeping rules

The general record-keeping need is for taxpayers to keep the records in order to complete an accurate return. This allows taxpayers to decide what to keep given their individual circumstances. The proposal is to align with the FA 2008 rules about keeping records

This is unlikely to have a quantifiable impact on taxpayers but represents a minor simplification by expressing them in the same way. There are no proposals to change the cross-regime record keeping requirements or those specific to individual excise regimes. The new framework will remove the requirement for taxpayers to ask for HMRC's approval in order to keep the information contained in records rather than the original records themselves. This should reduce the administrative burden on taxpayers who can store records in the form most suitable to their business.

Information and inspection powers - goods based excise regimes

Most people in the UK want to pay the tax and duty they owe, however for the minority their determination not to pay what is due is part of a wider failure to comply with the law. This is particularly true in relation to excise duties, where those who smuggle alcohol and tobacco may be linked to counterfeit products and the funding of organised crime. Therefore HMRC needs a framework for checking compliance that is strong enough to tackle illicit trade, and is an effective tool in protecting the public, the trade and the exchequer.

It is because of the additional risk that is inherent in goods based excise regimes it is proposed that the framework set out in Schedule 36 will not be sufficient.

HMRC is proposing specialised inspection powers for all revenue traders to allow entry onto registered premises or to other premises when goods are thought to be on those premises, including private premises. These would allow for unannounced visits to check and trace goods and without preauthorisation by a Tribunal. HMRC would be able to require information without the formal requirement of a notice.

Information and inspection powers for non goods based excise regimes

For the excise duties which do not involve goods, (gambling duties and APD) it is proposed that the existing powers should be replaced by the aligned information and inspection powers provided by FA 2008 legislation (due to be modified in FB2009). It will further improve the effectiveness of the compliance checking process and reduce costs for taxpayers and HMRC, realising the full benefits of the merger. The possible exception will be amusement machine licence duty (currently subject to an HMT consultation)

This will involve:

- Taxpayer information notices
- Third party information notices
- Unnamed taxpayer information notices
- Inspection of premises.

FA 2008 Assessment and claim time limits

The current variety of different lengths of time limits for tax claims and assessments is in the process of being aligned across the HMRC's taxes and duties. The normal time limit for claims and assessments for VAT is now 4 years from the end of the tax period. FB 2009 includes provision for this to be the case for other indirect taxes as well. For all taxes the time limit for assessment is 20 years if the taxpayer has deliberately underpaid tax, or has failed to notify HMRC that they are liable to tax.

The proposal is to bring excise time limits into line with these time limits. There will be one set of rules for making claims and being liable to an HMRC assessment for tax or duty due. This will be simpler for taxpayers to understand and remember.

New proposals: Impact

Goods Based Regimes

The storage of goods in duty suspension represents a risk of revenue evasion, and therefore HMRC currently has discrete powers in relation to businesses in this arena.

Legitimate businesses in the excise sector understand this, and therefore appreciate the need for specialist powers regarding entry and access. They also gain significant benefits from using duty suspension arrangements and so accept that in exchange of those benefits they agree to certain conditions, such as unannounced visits. These powers in fact provide reassurance to business that HMRC is acting to protect them from being undercut by illegitimate competitors.

The level of checks that can take place in relation to excise products also produces higher levels of confidence in consumers, who would be at risk from counterfeit products entering the market.

As the proposals draw broadly on the existing powers it is expected that there would be minimal impact on the trade. The intention is also to use common concepts and terms where possible to ensure that the new framework is clear, making it easier for taxpayers to understand the powers and safeguards in place.

If the proposal regarding single registration is taken forward these powers may apply to tax warehouses.

Non Goods Based regimes

Taxpayers within non goods based excise regimes will benefit from one set of powers and safeguards applying to the majority of their tax affairs (e.g. VAT and Corporation Tax as well as gambling duties). This will make it easier for taxpayers to know their rights and responsibilities. Knowledge from one tax will be transferable to another. There will therefore be benefits to taxpayers from there being fewer sets of rules to know.

For these duties alignment will mean new appeal rights. Where HMRC asks for information beyond statutory records, there will be a right of appeal. This will protect taxpayers from unnecessarily large administrative burdens from information requests. The framework also has greater safeguards to ensure third parties only face costs in providing information where this is appropriate.

Revenue

There will be an impact on revenue from changes to time limits. The increase in time limits for excise duties will mean increased revenues from duty assessments, and more paid out to taxpayers in claims.

As an indication of the amounts involved, in 2007-08 for excise duties there were £170 million in net additional revenue from duty assessments and error corrections by taxpayers.

If the proposal to align the time limits for claims and assessments is taken forward (i.e. extending the current limit from 3 years to 4) there will be further work completed on the revenue implications.

Costs

There will be costs to training HMRC operational and policy staff involved in excise duties, with the type and intensity of training varying according to their roles. Similar changes in other tax regimes had an approximate cost of £225,000 but until we have a clearer picture of the proposals to be taken forward it is not possible to quantify the amount of training that will be required. This will be a one-off cost as future training programmes will incorporate the changes for new staff.

Drafting new guidance and revisiting existing guidance will be carried out by existing staff dedicated to these tasks. Therefore these small costs will be included in normal business activity.

The administration of excise duties is currently paper based and there may be increased processing costs from our modernisation proposals, particularly if we unify the alcohol return and introduce a single registration system. As our longer term aspiration would be for a unified excise IT system for online registration and authorisation, as well as for delivery of the single alcohol return and payments of duty, this will incur costs on HMRC.

There will be one-off implementation costs for tax agents and some taxpayers. Agents will need to learn about the new framework. The total cost will depend on the number of tax agents directly affected by the measures.

There is a risk that the additional appeal rights that will be available could result in additional costs to taxpayers and HMRC from an increase in appeals. The current position is that 90 per cent of disputes are resolved without a tribunal hearing. We expect this will remain unchanged. HMRC therefore anticipates a negligible increase in costs for HMRC and taxpayers.

Benefits

The modernisation of the administrative processes within excise would provide a simplified system for taxpayers. Depending on the details of proposals taken forward excise traders would benefit from increased flexibility in terms of changes to their initial registration, increased simplicity in accounting for errors and increased ease of filing through the introduction of a single return.

As the tangible benefits are inherently linked to the outcome of the consultation and the details of proposals taken forward, it is not possible to provide indicative figures at this stage. However, the quantifiable benefits as well as any reductions in admin burdens, associated with modernisation will be further investigated during the consultation period as it becomes firmer which proposals are to be taken forward.

It has not been possible to precisely quantify the benefits of alignment of compliance checks for non goods based regimes, although HMRC has gained a picture of high level benefits from taxpayer research, responses to its consultation and feedback from frontline staff, where this was done for other taxes.

The impact on HMRC costs and yield from checking will depend on a large number of factors, including how many checks are carried out, how well they are targeted, and the extent and nature of non-compliance in the UK in future years. This will in turn be affected to some degree by reforms to penalties, which take effect for VAT and the main direct taxes from 2009, and for excise and other taxes from 2010.

Key benefits for taxpayers will stem from checks being quicker where they affect excise duty and other taxes, as well as being more risk based. Given the variety of taxpayers in the UK, HMRC is not able to reliably quantify the financial impact of a shorter compliance check. Different taxpayers need to do different things to respond to different types of check. For some the cost will be the taxpayer's own time, for some it will be that of employees, for others a professional agent.

Specific Impact Tests: Checklist

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 options considered in this consultation [and will be reapplied to any proposals which are taken forward.]

The process of Equality Impact Assessment screening has been started and this will continue during the course of consultation and policy development.

Competition Assessment

The aim of the modernisation options considered is to make systems and procedures simpler for businesses to operate, while providing greater certainty about how HMRC views the way in which businesses manage and conduct their tax affairs.

Under the new compliance checks framework, those businesses that HMRC does not view as low risk could expect to spend more time dealing with HMRC and those classified as low risk will usually spend less. But this will not impact on any business's capacity to enter markets or compete rigorously within them.

Small Firms Impact Test

Given that these options are designed to reduce burdens on the average compliant business it is appropriate to encompass all small firms. HMRC is seeking views on the impact on small businesses during its consultation, to help ensure that these design objectives are reflected in any proposals which go forward.

HMRC has considered whether these proposals will have any impact on the following other specific impacts:

- Legal Aid
- Sustainable Development
- Carbon Assessment
- Other Environment
- Health
- Human Rights, and
- Rural issues

It has concluded that they do not impact, but will reapply the tests to any proposals which are taken forward.

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

Excise sectors covered in this consultation

The following list gives the main excise sectors affected by this consultation [but it is not exhaustive]:

- Beer producers
- Registered beer storage
- Cider and/ or Perry producers
- Distillers
- Third party warehousekeepers (alcohol, tobacco, transport taxes)
- Export Shop Operators
- Licensed wine and/or made-wine producers
- Occasional Importers
- Owners of excise goods held in duty suspension
- R.E.D.S.
- Mineral Oil processors
- Registered Dealers in Controlled Oils
- Registered Mobile Operators
- Tobacco Manufacturers

Most common types of revenue trader

The following list gives the most common types of revenue trader [but it is not exhaustive]:

- producers of wine, made-wine, cider, perry;
- manufacturers of tobacco products;
- hydrocarbon oil refiners, bonded users and distributors and oil launderers;
- hydrocarbon oil relief and reimbursement claimants;
- distillers, methylators, compounders, duty free spirits users;
- brewers;
- excise warehousekeepers;
- alcohol ingredients relief and drawback claimants;
- importers and exporters of revenue goods;
- registered excise dealers and shippers (REDS);
- bookmakers, pools promoters, bingo promoters, casino operators, amusement machine operators;
- wholesalers, retailers and distributors of excisable goods including “cash and carry” or supermarket operators, carriers, petrol stations, off-licences, tobacconists, catering contractors, vending machine operators/leasers, licensed premises such as hotels, pubs, clubs, restaurants, holiday camps;
- anyone else producing, handling, processing, packaging, transporting or dealing in goods chargeable with excise duty; and
- other service industries financing or facilitating revenue traders activities such as guarantors, sureties, agents, insurers, brokers, financiers and financial institutions, analysts, makers of scientific instruments, gaugers, computer consultants.

Indicative Figures for number of traders in and amounts generated by the main excise regimes.

Air Passenger Duty (APD)

	<i>2007/8 £billion</i>	<i>2008/9 Provisional £billion</i>
Yield	£2.0	£1.9

There are 284 registered traders who pay APD. Almost half of APD receipts come from the top 5 UK air operators.

Oils

	<i>2007/8 £billion</i>	<i>2008/9 Provisional £billion</i>
Yield	£24.9	£24.6

Over 95 per cent of the duty comes from the 44 registered duty deferred traders, of which 6 are 'oils majors', providing approximately 85 per cent of revenue.

300 registered biofuels producers (biodiesel),
4,300 registered RDCOs (Registered Dealers in Controlled Oils) and
1,300 approved Tied Oil businesses.

Alcohol

	<i>2007/8 £billion</i>	<i>2008/9 Provisional £billion</i>
Yield	£8.3	£8.5

Production:

- Beer – 725 registered brewers
- Spirits – 160 licensed distillers
- Cider – 250 registered cider makers
- Wine – 200 licensed wine producers

Alcohol reliefs:

- Alcoholic Ingredients Relief – 250 claimants
- Denatured Alcohol – 4,000 users
- Duty Free Spirits – 500 users

Tobacco

	<i>2007/8 £billion</i>	<i>2008/9 Provisional £billion</i>
Yield	£8.1	£8.2

c £7.5bn from cigarette duty and £500m from other tobacco products, including Hand Rolling Tobacco (HRT) at approximately £424m.

Tobacco manufacture in the UK:

- 2 major tobacco manufacturers with 95% of the revenue yield.

- 2 SME tobacco manufacturers of pipe tobacco and HRT:

Importation of tobacco products:

- approximately 47 importers of tobacco products registered under REDS (Registered Excise Dealers and Shippers).

Holding & Movement of Alcohol and Tobacco goods in duty suspense:

Excise Warehouses - 750

Owners of Goods in warehouse - 2130

Excise Warehousekeepers - 500

Registered Excise Dealers and Shippers (REDS) - 280

Occasional Importers - 400

Gambling

	<i>2007/8 £billion</i>	<i>2008/9 Provisional £billion</i>
Yield	£1.5	£1.5

General betting duty – 1,040 bookmakers with 8,800 betting shops (plus online and telephone services). Dominated by a handful of large businesses, 5 out of 1,040 bookmakers own 83% of the 8,800 betting shops.

Lottery duty – one customer, Camelot (licence confirmed for 2009-2019).

Gaming duty – 137 casinos in Great Britain owned by 25 businesses, 79% owned by 3 companies.

Bingo duty – approximately 630 licensed bingo clubs owned by 186 businesses.

Pool betting duty – 33 businesses.

Amusement Machine Licence Duty – 11,500 businesses, 250,000 machines. No big players.

Remote gaming duty – 10 businesses, dominated by offshore-based companies