

REGULATORY IMPACT ASSESSMENT

Review of Powers: Penalties for Incorrect Returns - Finance Bill 2007

Title

HMRC and the Taxpayer: Modernising Powers, Deterrents and Safeguards: Penalties for Incorrect Returns.

Purpose and intended effect

The policy objective is to influence taxpayer behaviour to improve compliance with tax obligations, particularly the requirement to complete returns correctly. A new integrated approach to penalties for incorrect returns (to cover CTSA, ITSA, PAYE, NIC and VAT) is intended to work alongside more customer focussed support and guidance from HMRC. The penalties make clear the consequence of not taking reasonable care and of deliberately completing a return incorrectly, and they are an indication of the seriousness with which non-compliance is viewed. The intended effects include reassuring the compliant, supporting those who take care but may make mistakes, encouraging people to take care and deterring opportunist and deliberate non-compliers. There is a further objective to encourage people to disclose voluntarily when they have, or think they have, not paid the right amount of tax. The effect covers the whole of the UK.

Background

There are existing penalty regimes for incorrect returns. Evidence suggests that the penalty regimes inherited by HMRC for CTSA, ITSA, PAYE, NIC and VAT are flawed in various ways and so do not meet compliant taxpayers' expectations:

- the average rates of penalties actually charged fall within a narrow band which provides insufficient room to differentiate between different types of behaviour;
- some of the terminology, such as "negligence", is opaque to most taxpayers;
- there is not one regime but three, which adds to the lack of clarity for taxpayers about the rules and the potential outcomes; and
- for VAT the misdeclaration penalty is not explicitly behaviour-related and the high objective test means that for many there is no sanction where a return is incorrect due to a failure to take reasonable care.

This is an opportunity to modernise and align HMRC's current systems, which do not have sufficient impact in deterring potentially non-compliant taxpayers from obtaining an advantage over those who do seek to comply. If the new approach is adopted previous penalty regimes would be repealed from an appointed day

forward. There would be sufficient time between enactment and the first application of the new penalties to enable necessary system changes to be made and for taxpayers, their advisers and HMRC staff to prepare for the new regime.

Rationale for Government intervention

There are two key drivers for action on penalties for incorrect returns. The first is modernisation and improvement. The current regimes are flawed and not as effective as they should be, and this is in part due to weaknesses in the underlying legislation. The second is alignment across taxes. As HMRC begins to work in a more integrated way, the need for aligned penalties becomes more apparent. For example the Civil Investigation of Fraud procedure covers all the tax consequences of a fraud, but the penalty response is currently different for each tax. This has the potential to create misunderstanding, complication and inequity. Some of the weaknesses in the current regimes could perhaps be addressed by revised operation within the current legislative framework, but not all of them, and alignment across taxes is not possible without legislative change.

Penalties should work to encourage people to take reasonable care or return to compliance. They should be encouraged to review their tax returns or claims, especially if they know they have not taken reasonable care, and let HMRC know if they think something may be wrong. The penalty system should, therefore, maximise incentives for people to disclose that their tax liability has been incorrectly stated, while still maintaining a fair and effective deterrent against failure to take reasonable care in the first place.

Representations from businesses consistently stressed the need for HMRC to deliver a level playing field. That meant deterring non-compliance and, where it did occur, detect it, establish what was owed and recover it together with interest and penalties.

Consultation

The aim of the Review of Powers, Deterrents and Safeguards is to provide a framework of law and practice for HMRC that is appropriate to the Department's tasks and allows those tasks to be carried out effectively and efficiently while also providing appropriate safeguards for citizens.

On 24 March 2005 the review published the consultation paper "HM Revenue & Customs and the Taxpayer: Modernising Powers, Deterrents and Safeguards". A Consultative Committee was established, including tax experts, business representatives and others, to reflect the views of the wider taxpayer community.

A further consultation paper "HM Revenue & Customs and the Taxpayer: Modernising powers, deterrents and safeguards: A consultation on the developing programme of work" was published on 30 March 2006. It reported on the Review's progress, set out new approaches to supporting compliance and

penalties to deter and penalise non-compliance, and set out the future work programme. This paper included material about penalties for incorrect returns.

As part of the consultation exercise Opinion Leader Research were commissioned to undertake research and consultation among citizens (taxpaying and non-taxpaying members of the public) and small to medium sized enterprises (SMEs). Further, an online survey of small businesses was carried out, facilitated by the Small Business Service, and a series of four technical workshops were also held with representative bodies and professionals from small and large business during September and October. One of the workshops specifically focused on the new approach to penalties where delegates were able to understand and discuss the finer details.

A consultation document: *A new approach to penalties for incorrect returns* was published in December 2006. It provided more detail including illustrative draft clauses. It also drew attention to ongoing consultation expected in the following year on guidance (including defining terms), the practical application of suspended penalties and the possible extension of the new approach to penalty to other taxes, duties and levies and to penalties for failure to notify chargeability and to register.

A series of meetings with 15 representative bodies and interested parties were held in February and early March to gather detailed responses to the proposals. In addition 38 written responses have been received and reviewed.

Details about the review are published at www.hmrc.gov.uk/about/powers-appeal.htm.

Options

There were a number of possible ways in which the policy objective could have been pursued. These were explored and detailed below:

Option One: Do nothing

This would mean continuing to operate with different penalty regimes for different taxes and with the various shortcomings of the current regimes. The evidence collected during the development of this new approach increased concerns that the current regimes were failing in their primary aim of influencing taxpayer behaviour to improve compliance with tax obligations. For example the fact that direct tax penalties tended to be bunched in a narrow range at the bottom of the potential scale meant an insufficiently differentiated penalty response to different underlying behaviours. Doing nothing would mean: taxpayers would see the continuation of the current complex series of penalties, with different rules for different taxes to which they have become accustomed. In addition there were some significant loopholes in the current regimes, which meant that some sectors were outside the reach of sanctions, for example groups of companies with a loss-making subsidiary. This goes against the aim of a balanced and effective framework of statutory powers for HMRC.

These different responses to the same or similar non-compliant behaviours risk dependence on the tax involved, sending out contradictory messages about how HMRC views non-compliance, and could be confusing for taxpayers. They were also an obstacle to customer focus and integrated interventions which will reduce costs for HMRC and the taxpayer.

Option two: abolish penalties for incorrect returns

Some argue that HMRC should concentrate on helping taxpayers navigate the sometimes complex tax system rather than penalising them when they were tripped up by it. Effort would be better spent on support and guidance rather than on administering penalties. For the more serious offenders the punishment should be criminal investigation and prosecution. As a result it was argued that there was no place for financial penalties for incorrect returns.

The difficulties with these contentions were as follows.

- Without a sanction it was difficult for taxpayers to be clear what was required of them. It was the penalty that confirmed that the requirement to complete a return correctly was real. It gave a clear message of the financial consequence of not doing so. Without it the payment of taxes ran the risk of becoming voluntary or arbitrary.
- Without a sanction for those who failed to take reasonable care, the effect was to put at a disadvantage to those who did take the time, trouble and sometimes expense to take care compared to those who did not bother. Similarly without a stronger sanction for those who deliberately understated their liability opportunists would have no reason to be deterred. Nor would the competitive advantage gained by non-compliance be removed or reduced, failing to address one of the main demands of taxpayers – to ensure a level playing field.
- It was crucial to reassure the compliant that their decision to complete their returns correctly was the right decision. Penalties for incorrect returns were one of the main ways to do this.
- Criminal investigation with a view to prosecution was an important part of the armoury of deterrence. However it was expensive and intrusive and should only be reserved for the most serious forms of non-compliance. It was neither practical nor desirable to seek to prosecute in respect of all tax returns that are deliberately incorrect.

Option three: penalties for incorrect returns which are fixed or based on objective tests

Penalties could be set as fixed amounts, as for the £100 for late filing of an ITSA return, or tax geared, that was a percentage of the tax involved in the understatement.

At whatever level a fixed penalty was set it would be too high for some taxpayers to be fair and too low for others to be effective. Incorrect returns can arise for all sorts of taxpayers, from individuals through to large corporations, and the resulting understatements range from small amounts to many millions of pounds. As such a fixed penalty would not meet the primary policy objective.

On the other hand, penalties calculated as a percentage of the tax understated or claim overstated enable a fairly simple penalty regime to be applied across the full range of taxpayer groups from very small to very large and to different taxes and produce a proportionate and effective response. International comparisons show that tax-geared penalties were the favoured options for most jurisdictions.

As well as the issue of fixed or tax-geared there was the question of whether the penalties should be set by reference to objective tests or behaviour related. In the former a penalty is attached to all understatements over a certain amount, or exceeding a certain percentage of the correct tax due, regardless of their cause. In essence this was the basis of the VAT misdeclaration penalty when it started, although it was subject to limited exceptions such as where the taxpayer had a reasonable excuse. The regime was widely viewed as inflexible and later modification did provide additional exclusions and more fully reflected behavioural elements as part of its mitigation provisions.

A penalty triggered by objective tests had the benefit of simplicity and objectivity. It could be generated by computer and provided very limited scope for HMRC officer judgement. However a penalty which took little or no account of behaviour would completely cut across the overriding aim of the HMRC Review of Powers, Deterrents and Safeguards to support those who seek to comply and come down hard on those who seek an advantage by not complying. They would also undermine a key driver of HMRC to improve customer focus.

Fixed penalties and penalties triggered by objective tests also gave no scope for the other policy objectives of encouraging people to comply in the future and to come forward voluntarily where they think they may have underpaid tax due.

Option four: move to tax-geared penalties based on four behaviour categories as set out in this consultation document

This is the proposal being taken forward. Understatements or over-claims arising from incorrect returns would be divided into four categories depending on the underlying behaviour:

- mistakes or misinterpretations of fact or law, where reasonable care has been taken, would not be subject to a penalty; and

the following would be subject to penalties at levels that would reflect the increasing seriousness of the behaviour:

- failures to take reasonable care 30% of tax lost;
- deliberate understatements or over-claims 70% of tax lost; and
- deliberate understatements where the behaviour has been aggravated by concealment 100% of tax lost.

Each would be subject to large reductions (including in some instances waiver) for disclosure and active cooperation, more so if that disclosure was unprompted.

The definitions for these categories were explored in Chapter 5 and Annex A of the December 2006 consultation document.

To meet the policy objective of encouraging future compliance, the penalties for failure to take reasonable care could, where appropriate, be suspended and subsequently cancelled if the taxpayer can demonstrate that they had put their affairs in order. Significant reductions to penalties for prompted and unprompted disclosure should provide incentives for taxpayers who had strayed off the path to return to compliance and to cooperate effectively with HMRC compliance assurance activities. Furthermore closing the loopholes in the current regimes means that the new approach would apply more consistently and fairly.

This approach appears to meet all of the policy objectives most effectively. The key risk is that, because it involved judgements about behaviour, it would have an element of subjectivity and interventions would take a little longer to complete than if there were no penalty or a penalty based on objective tests. However the prize of changing taxpayer behaviour to become compliant in the future makes the extra effort worthwhile. Penalties would be subject to appeal and the burden of proof in any proceedings would rest with HMRC.

Cost and benefits

Sectors and groups affected

Penalties under the approach set out in option four and described in the December 2006 consultation document would not apply to anyone who completed their returns correctly or who made a fair attempt to do so but made a mistake or misinterpreted the law. Penalties would apply to those who did not take reasonable care or who deliberately understated or over-claimed. The new approach would apply equally across all taxpayers under CTSA, ITSA, PAYE, NIC and VAT. No sectors or groups would be affected more than any other unless there was a higher incidence of non-compliance in that sector or group. This included gender, race, age, health or income groups as well as business sectors.

Under the “do nothing” option the current penalties vary between taxes even where the amounts of tax involved and the underlying behaviour are the same. However, a move to fixed penalties or to no penalty at all would mean considerable differences in impact depending on income levels and as a result may impact differently by gender, race age or health.

Benefits

Compliant taxpayers could be doubly disadvantaged by those who did not comply, especially those who did not pay or deduct the tax that they should or who claimed too much. Not only do compliant taxpayers end up paying more than their fair share of tax, but compliant businesses could find themselves undercut in the marketplace by lower prices subsidised from unpaid personal or corporate tax or PAYE.

The proposed new approach to penalties seeks to redress the balance. There would be clear benefits to taxpayers who made a genuine attempt to comply but made mistakes, or who had a reasonably held but different interpretation of the law from HMRC. In particular, for businesses where genuine VAT errors currently incurred misdeclaration penalties, these would no longer attract a penalty. This contributed to HMRC’s support for those who take reasonable care to meet their obligations. The new clearer approach to penalties would lead to earlier closure of cases, shorter interventions and fewer disputes, with greater certainty for taxpayers.

Using evidence from academic literature about the way in which taxpayers responded to changes in tax penalties, and estimates of the application of the penalty structure set out in option four, modelling suggested that the framework should have a positive influence on taxpayer behaviour to improve voluntary compliance. To have this effect it would be important to have an effective communication strategy.

Costs

If penalties had the desired deterrent effect none would be collected. But it should be recognised that if potentially non-compliant taxpayers did not change their behaviour there may be an increase in the size of penalties for the deliberately non-compliant. Indeed it may be necessary to charge some penalties under the new framework to reinforce the message. Overall there was a much greater benefit to be obtained, both to the Exchequer and to compliant taxpayers, by encouraging voluntary compliance, than there ever would be from charging the penalties themselves.

The December 2006 consultation document set out the factors taken into account to determine the levels of penalties to fulfil the aims of the penalty regime to deter serious non-compliance and reassure compliant taxpayers.

HMRC's Standard Cost Model for measuring administrative burden did not apply in looking at penalty provisions, as these did not affect compliant taxpayers.

Clearer penalties with more taxpayer awareness would be an effective deterrent to non-compliance. With an easier system to administer this would reduce HMRC costs and would encourage taxpayers to pay at the right time, which would have an overall benefit to the Exchequer.

Small firms impact test

The proposals were quite explicit, indeed more so than currently, that penalties would not apply to compliant businesses, including those who made mistakes or misinterpreted the law after taking reasonable care. The aim was for reduced compliance costs for small businesses. The overall simplification of penalties for incorrect returns over the main business taxes would facilitate integrated interventions, reducing costs for small businesses.

Competition assessment

The penalty framework would directly affect those who did not pay the correct amount of tax deliberately or due to lack of care. It should further indirectly affect all taxpayers, by giving an incentive to take reasonable care in calculating the tax due, and a stronger incentive not to deliberately underpay. The framework did not cover penalties for failing to notify HMRC of a taxable activity, and so should not directly impact on those entering a new business sector.

HMRC had used data from past cases to analyse likely penalties as a percentage of the tax lost incurred across different customer groups, and found that levels of penalties would be comparable regardless of size of business, or whether the taxpayer was in business or not. The framework would not affect any one business sector more than another. The exception would be if any one business sector suffered more from non-compliance than others, in which case

HMRC owed it to taxpayers in that sector who paid their fair share, and to the taxpaying public at large, to find and penalise this non-compliance.

Overall, the proposed framework would improve competition by reducing the unfair advantage gained by those taxpayers who deliberately do not comply with their tax obligations, or who fail to take reasonable care. This will benefit all compliant taxpayers by providing a more level playing field.

Enforcement, sanctions and monitoring

Implementation of the new penalty regime will be delayed so the new provisions will apply to returns for periods starting on or after 1 April 2008 where the return is filed after 1 April 2009. This has the affect that the regime will start at about the same time for all taxes. The delayed implementation gives time for guidance to be developed in collaboration with representative bodies and for taxpayers, professional bodies and HMRC staff to become familiar with the new provisions.

HMRC would enforce the new penalty regime as it does the current penalty regime. Where a penalty was not paid, HMRC will take the appropriate Debt Management action along side collection of taxes due.

The new Penalty regime is tax geared (a percentage of the tax understated) and behaviour related (different percentages depending on the behaviour giving rise to the understatement and the extent of taxpayer disclosure). *Risk: If this is not properly communicated taxpayers may not understand the new regime and its effect on behaviour would be reduced.*

HMRC officers would be required to make decisions based on the taxpayer's behaviour and set the penalty percentages. The expectation was that officers involved in compliance interventions would have the facility, with suitable training, supervision and authorisation to administer these new penalties. *Risk : If training, for management and staff was not effective, administration of the new regime may not be consistent across all HMRC business areas.*

To suspend some penalties and subsequently cancel them, if the taxpayer could demonstrate certain conditions had been met, would require a different approach to interventions. It moved the emphasis from punishing to supporting and encourages the taxpayer to get their tax liability right in the future. *Risk: This is a culture change for both HMRC Compliance officers and taxpayers and may not be fully embedded if training is not successfully delivered or the new regime was not effectively communicated both internally and externally.*

Taxpayers would be able to appeal to an independent body against any penalty, as they can with the current penalty regime.

HMRC would carefully monitor how the new penalties regime was working, through quality assurance processes for HMRC for all compliance work over 2-3 years following implementation. The areas such as: the levels of penalties, impact on different taxpayer groups, appeals and complaints would be looked at. Research would be carried out to see how the new penalty regime had changed

behaviour. HMRC were exploring an external review process by having an independent body to oversee the implementation of the new approach.

Communication of the changes

HMRC will:

- continue to consult widely
- develop new **guidance** which will be available to HMRC officers and will be published externally. This will particularly focus on defining the different behaviours; and
- Develop **training material** for HMRC officers and their managers
- Explore the possibility of linking into accountancy professional training programmes
- Launch internal communication across HMRC to develop awareness and understanding of the new penalty regime for consistent application.

Externally HMRC will:

- launch a programme of external communication, marketing and research to develop awareness and understanding of the new penalty regime and thereby ensure its consistent application and to maximise its deterrent effect; and
- This could include publicity campaigns as well as collaboration with representational bodies.

Consultation responses

Format of Consultation

The consultation period based on the consultation document ran from 19 December 2006 to 13 March 2007. Responses took the form of 38 written responses (listed in Annex A) and meetings with 15 representative bodies of 2 to 3 hours' duration. Details of meetings are in Annex B. The consultation also attracted some coverage in the specialist press. Much of the comment was complimentary about the clarity of the consultation document and the usefulness of the explanatory meetings.

General Response

There was general support for the principle of a single penalty regime to apply to the six taxes covered. The proposal to base the penalty structure on taxpayer behaviour rather than quantitative triggers was welcomed though the burden this places on subjective interpretation was recognised. The proposal for the legislation to provide a stepped penalty structure with maximum penalties and maximum reductions for disclosure at each step on the face of the statute was also strongly supported. Respondents welcomed the clear recognition that the interpretation of "reasonable care" would vary according to the identity, capacity and circumstances of the taxpayer and that it imported the concept of "materiality".

Subjective Approach

The subjective approach to the interpretation of facts was welcomed though respondents recognised that success would depend on the spirit in which HMRC approached the task. They welcomed the recognition that the onus of proof in showing that an understatement arose as a result of a particular behaviour and the nature of that behaviour lay with HMRC and they welcomed the pragmatic approach to marginal cases indicated by the first draft of guidance to HMRC staff which had been included in the consultation document. Many respondents expressed a willingness to work with HMRC in drawing up guidance and interpretative material and there was some support for a joint oversight body of some kind to supervise the introduction of the new structure until it had bedded down.

“Mistake”

There was a warm welcome for the clear statement that no penalty would arise if a taxpayer had taken reasonable care to get his tax affairs right but nevertheless understated his tax liability. It was suggested that the significance of this statement to taxpayers might be greater than the consultation document recognised.

Statutory Terms

There was some discussion on the appropriateness of the terms “failure to take reasonable care”, “deliberate understatement” and “deliberate understatement with concealment” but most respondents accepted them as appropriate, and probably more meaningful to taxpayers than the existing terms like “negligence” and “fraud.”

Suspended Penalties

They were welcomed in principle as a positive innovation.

Draft Clauses

They were praised for their clarity and readability although there was almost universal disquiet about the statutory formula “If HMRC thinks”.

Changes as a Result of Consultation

As a direct result of representations, comments and suggestions, HMRC have modified the proposals as they apply to the restriction of group relief; penalties for overstating tax losses; the liability of a taxpayer to penalties when a representative acting for him fails to take reasonable care or deliberately understates a liability; the application of penalties to a company’s officers; and where an understatement by one taxpayer has a direct compensating effect on the liability of another. These changes increase the length and complexity of the

legislation but do improve the equity and clarity of the application of these clauses. HMRC are grateful for the suggestions received.

Implementation and delivery plan

Announcement of implementation made at Budget 2007 with the legislation going through Parliament in Finance Bill 2007, subject to the Parliamentary process and Royal Assent.

There would be approximately 20 months for the Departmental Change Project to put in place governance procedures for compliance work, deliver training and publish guidance 12 weeks before the implementation of the new penalty regime. All these areas and IT systems needed to be fully functioning and in place for the first penalties to be issued from 1 April 2009.

Post-Implementation review

It would take 2-3 years to be able to assess the effectiveness of the new penalty regime. This would include taking into account the other work the Review of Powers are doing on reviewing penalties for other taxes and the compliance assurance work. As mentioned earlier HMRC are exploring an external review process by having an independent body to oversee the implementation of the new approach. Internal Audit guidelines will be expected to be complied with.

Summary and recommendation

The penalty regime under the approach set out in option four has been decided as the way forward. This means penalties would be tax-geared based on four behaviour categories as was set out in the December 2006 consultation document and described below.

Understatements or over-claims arising from incorrect returns would be divided into four categories depending on the underlying behaviour:

- mistakes or misinterpretations of fact or law, where reasonable care has been taken, would not be subject to a penalty; and

the following would be subject to penalties at levels that would reflect the increasing seriousness of the behaviour:

- failures to take reasonable care;
- deliberate understatements or over-claims; and
- deliberate understatements where the behaviour has been aggravated by concealment.

The definitions for these categories were explored in the December 2006 consultation document in Chapter 5 and Annex A.

The policy objective of encourages future compliance and influences taxpayer behaviour to improve compliance with their tax obligations. This was demonstrated by the fact that penalties for failure to take reasonable care could, where appropriate, be suspended and subsequently cancelled if the taxpayer could demonstrate that they had put their affairs in order. Significant reductions to penalties for prompted and unprompted disclosure provide incentives for taxpayers who had strayed off the path to return to compliance and to co-operate effectively with HMRC compliance assurance activities.

There would be clear benefits to taxpayers who made a genuine attempt to comply but made mistakes, or had a reasonably held but different interpretation of the law from HMRC. In particular, for businesses where there are some genuine VAT errors and mis-declaration penalties are currently incurred, these would no longer attract a penalty. This contributed to HMRC's support for those who take reasonable care to meet their obligations. The new clearer approach to penalties would lead to earlier closure of cases, shorter interventions and fewer disputes, with greater certainty. Furthermore closing the loopholes in the current regimes means that the new approach would apply more consistently and fairly. Also, if penalties had the desired deterrent effect none would be collected. But it should be recognised that if potentially non-compliant taxpayers did not change their behaviour there may be an increase in the number and size of penalties for the deliberately non-compliant. Overall there was a much greater benefit to be obtained, both to the Exchequer and to compliant taxpayers, by encouraging voluntary compliance, than there ever would be from charging the penalties themselves.

Clearer, transparent penalties with increased taxpayer awareness would be an effective deterrent to non-compliance. With an easier system to administer this would reduce HMRC costs and encourage taxpayers to pay at the right time, which would have an overall benefit to the Exchequer.

Contact Point
Central Policy
Team
London SW1A 2BQ

Rachel Button
Powers Review
100 Parliament Street

Tel: 020 7147 2341

HMRC are grateful for written responses to the consultation from:

ACCA
Association of Accounting Technicians
AstraZeneca
Aviva plc
BAA
Baker Tilly
BT
CBI
Centrica plc
CIOT
Deloitte
Ernst & Young
Federation of Small Businesses
Garbetts (Accountants)
Grant Thornton
ICAEW
ICAS
ICPA
IFS: Tax Law Review Committee
Institute of Directors
Institute of Indirect Taxation
Institute of Payroll Professionals
KPMG
Law Society
Low Incomes Tax Reform Group
Oil Industry Taxation Committee
Professional Contractor Group
PWC
Small Business Council
Underwood Barron Chartered Accts
United Utilities
Wilson & Co
Others = 6

HMRC are grateful for the following organisations for taking time to attend consultation meetings which have been hugely helpful.

Administrative Advisory Board

Association of British Insurers

Chartered Institute of Taxation

Confederation of British Industry

Deloitte

Ernst and Young

Federation of Small Businesses

Institute of Chartered Accountants in England and Wales

Institute of Chartered Accountants of Scotland

Institute of Directors

Institute of Indirect Taxes

KPMG

Law Society

London Society of Chartered Accountants

PriceWaterhouseCoopers

VAT Practitioners Group

REGULATORY IMPACT ASSESSMENT

HMRC and the Taxpayer: Modernising Powers, Deterrents and Safeguards: Penalties for Incorrect Returns: Finance Bill 2007

Statement of Ministerial Approval

I have read the regulatory impact assessment and I am satisfied that the benefits
the costs.

Signed by the responsible Minister:

DAWN PRIMAROLO

PAYMASTER GENERAL

19 MARCH 2007