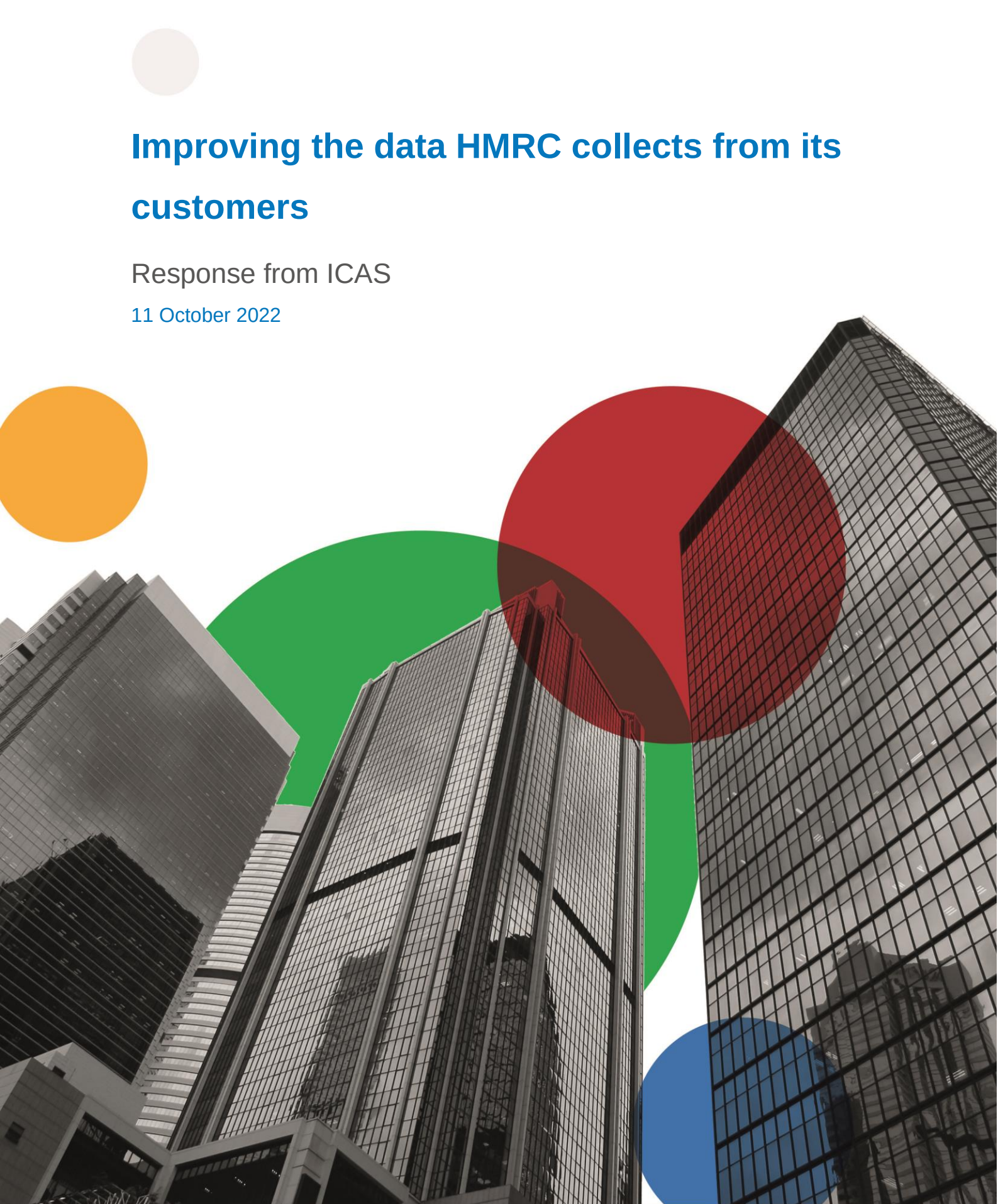




Improving the data HMRC collects from its customers

Response from ICAS

11 October 2022

About ICAS

1. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 22,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 10,000 of our members are based in Scotland and 10,000 in England.
2. The following submission has been prepared by the ICAS Tax Board. The Tax Board, with its five technical Committees, is responsible for putting forward the views of the ICAS tax community; it does this with the active input and support of over 60 committee members.
3. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good. From a public interest perspective, our role is to share insights from ICAS members into the many complex issues and decisions involved in tax and regulatory system design, and to point out operational practicalities.

General comments

4. ICAS welcomes the opportunity to contribute to the consultation [Improving the data HMRC collects from its customers](#) published on 20 July 2022.
5. We appreciated the opportunity to discuss the consultation with HMRC at the stakeholder meeting held on 29 September.
6. We have not answered the specific questions in the consultation; instead, we have outlined below our main concerns with the proposals, together with some comments on specific aspects.

HMRC's role and resources

7. HMRC's core role is to administer the tax system and to ensure that, as far as possible, the right amount of tax is paid. However, in recent years its functions have expanded well beyond this core remit, so that it now has a role in a range of other areas, including student loans, minimum wage enforcement, benefits, money laundering regulation and most recently Covid support. Another recent consultation '[Digitalising Business Rates](#)' also proposes that it should take on a role in the business rates system.
8. HMRC's resources have not kept up with its expanding responsibilities – with adverse effects on its service levels over a number of years. There is also a perception that it has not 'bounced back' from the pandemic as quickly as other organisations: poor HMRC service levels continue to be a significant issue.
9. ICAS does not believe that HMRC should undertake the collection of additional data (for other government departments) proposed in this consultation, or the role in the business rates system (proposed in 'Digitalising Business Rates') as it is unlikely that the necessary additional resources will be available on an ongoing basis. The consequence will therefore be a further deterioration in HMRC's service levels, which will undermine confidence in HMRC and the tax system.
10. Beyond the issue of resources, ICAS also questions whether HMRC should take on further responsibilities that are not part of its core role. Whilst some of the data mentioned in this consultation could be useful to HMRC in its work, much of the data would be collected on behalf of other departments. We appreciate that the relevant legislation could be amended to permit HMRC to act as a data collector for other areas of government, but we believe this would be inappropriate and would bring with it considerable risk. GDPR issues would also need to be considered and addressed.
11. It is important that the tax system functions properly and that taxpayers trust HMRC to run the system fairly and effectively. Most taxpayers accept that HMRC requires data from them to do this,

to establish the correct tax position. However, asking HMRC to collect and process large amounts of data that have little to do with its core role – and to pass on the data to other government departments – risks undermining trust and voluntary compliance.

12. It is unclear from the consultation exactly what the information collected would be used for – and whether it would be used effectively or in a targeted way. Where it is suggested that additional data should be collected, there should be a clear explanation of exactly what that data would be used for and how the data would be managed. If HMRC is collecting the data, it should be clear why this is needed for the performance of HMRC's role.
13. It would be preferable to ask other bodies, for example the Office for National Statistics, to collect data for non-tax purposes and other government departments, in a transparent and open way – setting out exactly what any data collected would be used for. HMRC should dedicate its resources to running the tax system efficiently and maintaining acceptable service levels.

Administrative burdens for businesses

14. The proposals that employers should provide significant amounts of extra data about employees will impose additional administrative burdens and costs on businesses. It is difficult to identify any benefits for businesses from providing the additional data.
15. Large businesses are already subject to significant tax administrative burdens – and are currently having to devote resources to a range of other new tax-related issues (on top of ongoing work), including compliance with environmental tax and reporting requirements and to dealing with implementation of international tax reform (Pillar 1 and Pillar 2).
16. Post-Brexit it is important to ensure that the UK remains an attractive location for multinational companies to do business – both to attract new investment and to retain businesses already located here. An efficient tax administration system, which minimises the administrative burdens placed on multinational enterprises is important.

Data to be collected by employers

17. The data the consultation proposes employers should collect may be held in different departments in a business (typically HR and Payroll) and in a number of different systems. Pulling the information together to report to HMRC would not be straightforward. For large entities, with thousands of employees and operating from multiple sites, there would be an initial huge manual exercise (to collect and input the base data) – with frequent updates required as changes occur.
18. Costs will be incurred for updated software and altering business systems. Larger entities will be able to manage this – at a cost – but smaller employers may struggle.
19. Many employers outsource their payroll function – adding another layer of cost and complexity because the additional data will need to be collected and transferred.
20. Given the changes to working practices brought about by the pandemic, it is unclear how useful some of the data on location would be, particularly for remote workers.

Dividends paid to shareholders in owner-managed businesses and start/end dates for self-employment

21. The consultation proposes that the existing company director and close company fields on the SA 102 form would be made mandatory – and two new mandatory fields would be added, asking for the value of dividends received and the percentage shareholding in the company.
22. We do not see any significant practical problems with these proposals, provided that the percentage shareholding information is only required for directors. As the consultation notes, close company ownership structures can be complex, and many will involve split ownership between connected parties. Any reporting should focus on directors.

23. The consultation also proposes to make the SA return fields relating to start and end dates for self employment mandatory. Again, we do not see any significant problems with these proposals. However, unrepresented taxpayers may not always find it easy to identify their start date, particularly where, for example, a hobby has developed into a business.
24. HMRC would need to provide guidance, linked to the SA return. This could incorporate, or link to, some of the content already on GOV.UK:
- [Working for yourself](#)
 - [Check if you need to tell HMRC about additional income](#)
 - [Tax-free allowances on property and trading income](#).
25. Historically HMRC also [posted guidance](#) (now archived), including some useful examples that covered moving from a hobby to trading, situations where capital gains tax would be likely to be relevant rather than trading – and the difference between clearing out unwanted items and trading. Something similar (with updated examples) might be useful to unrepresented taxpayers trying to identify whether, and when, they started trading.

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