



HM Revenue  
& Customs

# Modernising Tax Debt Collection from Non-Paying Businesses

## Call for Evidence

Publication date: 30 November 2021

Closing date for comments: 22 February 2022

# Summary

## Subject of this consultation

The subject of this call for evidence is modernising tax debt collection from non-paying businesses

## Scope of this consultation

The government is considering how HMRC can modernise its collection of tax debts to reflect the changing nature of the economy and new business practices including those who conduct their business in the UK without having a presence or physical assets here. The call for evidence also seeks views on HMRC's approach to the small minority of taxpayers who do not engage with HMRC and hold off paying for as long as they can, forcing HMRC to resort to costly and time-consuming enforcement action.

The proposals in this call for evidence will not affect taxpayers who are in temporary financial difficulty (including those affected by the Covid-19 pandemic) and who need some support from HMRC.

## Who should read this

Any individual, business or organisation that has a view on how tax debts should be collected. This is likely to be of particular interest to accountants, tax agents, legal professionals, insolvency practitioners, debt advice providers, financial advisers and their clients.

## Duration

30 November 2021 – 22 February 2022

## Lead official

Ruth Fawley HM Revenue & Customs

## How to respond or enquire about this consultation

Responses and general queries about the content or scope of the consultation can be sent by email to [modernisationofdebt@hmrc.gov.uk](mailto:modernisationofdebt@hmrc.gov.uk) or by post to: HMRC – Debt Strategy, 1<sup>st</sup> Floor, Leeds Regional Centre, 7&8 Wellington Place, Wellington Street, Leeds, LS1 4AP

## Additional ways to be involved

HMRC will be happy to hold meetings with interested parties to discuss the proposals.

## After the consultation

The government will publish a summary of the responses in summer 2022.

## Getting to this stage

This is the first public consultation on the issue by HMRC.

## Previous engagement

This is the first public consultation on the issue by HMRC.

# Contents

Summary .....	2
Contents .....	3
1. Introduction .....	4
Background .....	4
Purpose and contents of this call for evidence .....	5
Related published documents .....	5
2. Changing nature of businesses .....	7
Lack of assets in UK principal place of business .....	7
Leased assets .....	8
Intangible assets .....	9
Digital Wallets .....	9
3. Improving the collection of business tax debt from non-paying businesses .....	11
HMRC's Powers and Safeguards Principles .....	11
Security deposits .....	12
Directors personal guarantee .....	12
Role of agents .....	13
4. Assessment of impacts .....	14
5. Summary of questions .....	15
6. The consultation process .....	16
Annex A: Relevant (current) Government Legislation .....	20

# 1. Introduction

## Background

- 1.1 The overwhelming majority of people and businesses in the UK pay the right tax at the right time, providing funding for our vital public services. HMRC's debt management function plays an important role when a tax liability becomes overdue for payment and becomes a debt (if it is not under appeal), both in terms of the significant support it provides to taxpayers in temporary financial difficulty, and the fair and balanced approach it takes to debt collection.
- 1.2 HMRC recognises the difficulties faced by many individuals and businesses since the beginning of the COVID-19 pandemic, and its approach to tax debt collection is aligned with the government's priority of protecting livelihoods and keeping people in work. Taxpayers who are in temporary financial difficulty, including as a result of Covid-19, and need some support from HMRC to get back onto a sustainable financial footing are not within the scope of this call for evidence.
- 1.3 HMRC continues to take an understanding and supportive approach when dealing with these businesses and individuals. In all cases, the department wants to work with taxpayers to find a way for them to pay off their tax debt as quickly as possible, and in an affordable way for them. Where taxpayers are facing difficulty in making a tax payment, HMRC can agree a Time to Pay (TTP) instalment arrangement. HMRC typically has more than half a million arrangements in place at any one time, and 9 out of 10 of them complete successfully.
- 1.4 It is HMRC's responsibility to collect any tax debts in an efficient, economical and timely way, ensuring fairness for taxpayers and protecting funding for vital public services. In 2019/20, prior to the COVID-19 pandemic, there were over 19 million new debts worth almost £53 billion.<sup>1</sup> HMRC collected over £48 billion of this debt and had an outstanding debt balance of around £22 billion at the end of March 2020. In 2019/20, the non-payment element of the tax gap was £4 billion.<sup>2</sup>
- 1.5 The aim of this call for evidence is to ensure HMRC's approach to collecting tax debt is fit for a modern tax system and remains fair and effective to all taxpayers in light of the changing nature of business.
- 1.6 This call for evidence seeks views on HMRC's approach to the small minority of taxpayers who do not engage with HMRC and hold off paying for as long as they can, forcing HMRC to resort to costly and time-consuming enforcement action. This could be a regular occurrence or singular instance of a business refusing to pay despite having the ability to do so.

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<sup>1</sup> [www.gov.uk/government/statistics/measuring-tax-gaps/measuring-tax-gaps-2021-edition-tax-gap-estimates-for-2019-to-2020](https://www.gov.uk/government/statistics/measuring-tax-gaps/measuring-tax-gaps-2021-edition-tax-gap-estimates-for-2019-to-2020)

<sup>2</sup> [www.gov.uk/government/statistics/measuring-tax-gaps/measuring-tax-gaps-2021-edition-tax-gap-estimates-for-2019-to-2020](https://www.gov.uk/government/statistics/measuring-tax-gaps/measuring-tax-gaps-2021-edition-tax-gap-estimates-for-2019-to-2020)

- 1.7 Any proposals considered as a result of this call for evidence will be proportionate and include appropriate safeguards for taxpayers in line with the powers and safeguards principles reiterated in February 2021 in HMRC’s evaluation of powers introduced since 2012.<sup>3</sup>
- 1.8 This document is likely to be of particular interest to accountants, tax agents, legal professionals, insolvency practitioners, debt advice providers, financial advisers and their clients.

## Contents of this call for evidence

- 1.9 Chapter 2 sets out the changing nature of the economy where an increased use of e-commerce has given rise to new business practices. This creates a new challenge for HMRC to collect taxes owed from businesses who set up their affairs in less traditional ways, and includes those who conduct their business in the UK without having a presence or physical assets here. This document looks at HMRC’s existing powers, including Taking Control of Goods (TCoG), to seek views on the extent to which it is a problem that these powers cannot be used when dealing with certain business practices.
- 1.10 Chapter 3 seeks views on the small minority of businesses with tax liabilities who, while able, deliberately choose not to pay their tax debt. HMRC wants to explore ways to encourage these businesses to change their behaviour, for example, whether guarantees and types of pre-payment could be more widely used to tackle deliberate non-payment. Any new powers introduced would be used in a very limited way to tackle this small minority of businesses and would not affect any taxpayers in financial difficulty.

## Related published documents

- 1.11 In July 2020 the government published the 10-year tax administration strategy ‘[Building a trusted, modern tax administration system](#)’, setting out the vision for the future of tax administration in the UK.
- 1.12 In March 2021, the government published two call for evidence documents on how to modernise its approach to the payment of tax:
- ‘[The tax administration framework: Supporting a 21<sup>st</sup> century tax system](#)’, which focussed on how legislation underpinning HMRC’s administration of the tax system could be updated to provide a better experience for individuals and businesses, enable opportunities to further reduce the tax gap, and help build greater resilience and responsiveness to future crises, and
  - ‘[Timely Payments](#)’ opened the debate on the opportunities and challenges of more frequent payment of income tax under Self Assessment and corporation tax under self-assessment.
- 1.13 Those documents are focused on potential changes to make tax payment easier and more regular for all taxpayers based around digital services provided by HMRC. This

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<sup>3</sup> [www.gov.uk/government/publications/evaluation-of-hmrcs-implementation-of-powers-obligations-and-safeguards](http://www.gov.uk/government/publications/evaluation-of-hmrcs-implementation-of-powers-obligations-and-safeguards)

document is focused on the powers available to HMRC for use against the minority of individuals and businesses who choose not to pay their tax liabilities.

- 1.14 The government also published a consultation in March 2021 entitled '[Raising standards in the tax advice market: Professional indemnity insurance and the definition of tax advice](#)'. That document sought views on whether or not to introduce mandatory professional indemnity insurance for tax advisers, including potential minimum levels of cover, and how the policy could be enforced and implemented. It sought to establish whether introducing professional indemnity insurance would meet the stated policy aims of improving trust, reducing poor adviser behaviour, and providing redress.
- 1.15 At Tax and Administration Maintenance Day, the government published responses to the three documents set out above.
- 1.16 The government also published a discussion document titled '[Preventing and collecting international tax debt](#)' in March 2021. That document focused on international tax debt, which is a UK tax debt where the customer, their assets or both are outside of the UK. As monitoring and collecting international tax debt is made more complex by the involvement of another jurisdiction, it has challenges and solutions specific to those circumstances which are examined in that discussion document. The government is currently considering stakeholder responses to this document.

## 2. Changing nature of businesses

- 2.1 HMRC routinely and regularly considers new trends occurring in business practices and the wider economy and how they will impact the tax system. This ensures HMRC keeps pace with society, the tax system maintains fairness for all taxpayers, and helps HMRC to identify potential areas which could be exploited by a small minority of businesses and lead to lost revenue.
- 2.2 One of these trends is the widespread and growing use of e-commerce. The total value of e-commerce sales by non-financial businesses in the UK with 10 or more employees was over £668 billion in 2019.<sup>4</sup> This is partly driven by high levels of internet usage, with 92% of adults in the UK being recent internet users in 2020.<sup>5</sup> The COVID-19 pandemic has accelerated the increased use of e-commerce. Online sales as a proportion of all retailing had gradually risen from a 3.4% share in 2007 to 19% in 2019, but then increased dramatically to 27.9% in 2020.<sup>6</sup>
- 2.3 E-commerce makes it much easier to conduct business in the UK without having a presence or physical assets here. It also makes it easier for a business to have their employees, equipment and stock spread over multiple locations or to own very few physical assets in the UK.
- 2.4 HMRC lacks robust data on the extent to which businesses are exploiting new trends to deliberately avoid paying tax debts.
- 2.5 This chapter seeks views and evidence on the extent to which HMRC's debt recovery powers risk becoming outdated in light of changing business practices, particularly those set out below. It also seeks views on what HMRC could do differently to adapt to these changes to incentivise payment and secure recovery of tax. This is to ensure there is a level playing field and businesses who are deliberately exploiting these trends are unable to gain an unfair, comparative advantage over those who pay their taxes on time.

### Lack of assets in UK principal place of business

- 2.6 One of the consequences of the increase in e-commerce is the rise in the use of warehouses. Some retailers are using fulfilment warehouses that belong to a third party to store and ship their goods.
- 2.7 A recent report by the United Kingdom Warehousing Association showed a 32% increase in warehouse unit space since 2015, with third party logistics firms accounting for the largest occupier with over 100 million square feet.<sup>7</sup> The increase in warehouse

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<sup>4</sup> [www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/ecommerceandictactivity/2019](http://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/ecommerceandictactivity/2019)

<sup>5</sup> [www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2020](http://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2020)

<sup>6</sup> [www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/economictrendsintheretailsectorgreatbritain/1989to2021](http://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/economictrendsintheretailsectorgreatbritain/1989to2021)

<sup>7</sup> [www.ukwa.org.uk/wp-content/uploads/2021/05/Savills-UKWA-A4-8pp-Report-Interactive3.pdf](http://www.ukwa.org.uk/wp-content/uploads/2021/05/Savills-UKWA-A4-8pp-Report-Interactive3.pdf)

development is set to continue as research from Knight Frank shows 40 million square feet of new warehouse space in developments larger than 50,000 square feet is scheduled for completion in 2021 alone, compared to 20 million square feet in 2020.<sup>8</sup>

- 2.8 One of HMRC's enforcement powers is to seize and sell the physical assets of the taxpayer to pay their tax debt. This power and process is contained in the Taking Control of Goods (TCoG) legislation that is administered by the Ministry of Justice.<sup>9</sup> It is available to the enforcement agent industry and is not specific to HMRC. TCoG applies in England and Wales, Attachment applies to Scotland and Distraint applies to Northern Ireland.
- 2.9 There are existing safeguards in place to ensure the power is only used after a taxpayer has had numerous opportunities to engage with HMRC. In 2019/20, HMRC issued over 100,000 notices of enforcement but only used TCoG to seize and sell goods in fewer than 300 cases. This shows that HMRC's ability to use these powers encourages taxpayers who can pay, but have repeatedly chosen not to, to settle their tax debts.
- 2.10 HMRC only seizes assets on premises where a business is carrying out a trade. HMRC does not have the power to enter a business premise if this is not the principal place of business, such as a fulfilment centre or third party warehouse.

**Question 1:** To what extent do businesses not hold any UK assets at their principal place of business, and do you think this will increase?

**Question 2:** What are your views on whether and how HMRC should modernise to adapt to the increase in businesses who do not hold any UK assets, in order to minimise non-payment of tax debts?

## Leased assets

- 2.11 Businesses are increasingly moving away from ownership of physical assets. For example, a business may lease or hire purchase premises, equipment and vehicles. They do not own these assets and the lessor may also be responsible for servicing and yearly maintenance under the terms of the lease.
- 2.12 In the 12 months to August 2021, assets worth around £28 billion were leased or hire purchased.<sup>10</sup> Around £11 billion of this was for equipment, plant and machinery, with the balance related to vehicles.
- 2.13 In-house leasing occurs where an associated company owns and leases assets. There can be commercial reasons for keeping the main business and the associated leasing company separate. However, this can also be used to avoid civil recovery action against debts owed by the main business, because the assets are placed with this associated, but separate, special purpose vehicle. Ultimately, it is likely to be larger businesses that

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<sup>8</sup> [www.knightfrank.co.uk/blog/2021/04/07/ecommerce-growth-driving-record-warehouse-development-in-2021](http://www.knightfrank.co.uk/blog/2021/04/07/ecommerce-growth-driving-record-warehouse-development-in-2021)

<sup>9</sup> United Kingdom variations; TCoG applies in England and Wales, Attachment applies to Scotland and a Distraint applies to Northern Ireland. Legislation at [Part 3 of the Tribunals, Courts and Enforcement Act 2007 \(TCEA 2007\)](#)

<sup>10</sup> [www.fla.org.uk/research/asset-finance/](http://www.fla.org.uk/research/asset-finance/)



are able to do this, creating unfairness given this practice restricts HMRC's ability to collect tax debts.

- 2.14 With this company model, HMRC are often unable to take civil recovery action on the assets even in cases where the associated leasing business has the same directors, because ownership of the assets is with the associated company (lessor).

**Question 3:** To what extent do businesses make use of in-house leasing, is it more popular in certain industries/sectors than others and do you think this model will increase?

**Question 4:** What are your views on whether and how HMRC should modernise to adapt to the use of in-house leasing, in order to minimise non-payment of tax debts?

## Intangible assets

- 2.15 Intangible assets are non-monetary assets that are not physical in nature (as opposed to tangible assets like land and vehicles), and are protected through the exercise of legal or custody rights. Types of intangible assets include, but are not limited to, patents, trademarks, copyright, and domain names.
- 2.16 Intangible assets are fundamental to e-commerce and the digital economy and are becoming increasingly necessary in the way businesses operate. The brand you choose, the website you visit, the payment software and logistics software which bring an item to your door all involve intangible assets. Investment in intangible assets in the UK was over £169 billion in 2018.<sup>11</sup>
- 2.17 The use of TCoG powers is restricted to tangible assets, and therefore cannot be used to incentivise payment where a business primarily has intangible assets.

**Question 5:** To what extent do businesses make use of intangible assets, and do you think this will increase?

**Question 6:** What are your views on whether and how HMRC should modernise to adapt to an increased use of intangible assets, in order to minimise non-payment of tax debts?

## Digital Wallets

- 2.18 Digital wallets or "e-wallets" are an electronic version of a physical wallet. They are an online service, which is not a bank account and allows an individual to make transactions.
- 2.19 Individuals load their digital wallet with funds and then use this to make online purchases. There are clear benefits to using digital wallets and they are often encouraged in e-commerce as they can make it easier and quicker for customers to make payments online.

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<sup>11</sup>[www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/articles/experimentalestimatesofinvestmentinintangibleassetsintheuk2015/2018](http://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/articles/experimentalestimatesofinvestmentinintangibleassetsintheuk2015/2018)

- 2.20 Direct Recovery of Debts (DRD), which came into effect in November 2015, gives HMRC the power to recover established debts directly from debtors' bank and building society accounts. The debtors must owe £1,000 or more and there are strict safeguards. This intervention targets those debtors who can and should pay but have refused to do so despite repeated contact from HMRC.
- 2.21 HMRC only used DRD 11 times in 2019/20 which, like TCoG, shows that the existence of this power encourages customers who have repeatedly resisted paying, to do so.
- 2.22 The DRD legislation does not extend to digital wallets. This means that HMRC currently has no enforcement powers to recover tax debts if a business has substantial funds in a digital wallet but is refusing to pay.

**Question 7:** To what extent do businesses use digital wallets, and do you think this will increase?

**Question 8:** What are your views on whether and how HMRC should modernise to adapt to an increased use of digital wallets, in order to minimise non-payment of tax debts?

## 3. Improving the collection of business tax debt from non-paying businesses

- 3.1 This chapter focuses specifically on the very small minority of businesses which have the ability to pay their tax debts to HMRC but repeatedly choose not to. Broadly, these businesses do not engage with HMRC despite numerous attempts and hold off paying for as long as they can. They often pay at the point immediately prior to HMRC using enforcement or insolvency action. Some businesses will then start this cycle again with a new debt. Taxpayers who are in temporary financial difficulty are not within scope.
- 3.2 HMRC sees examples of this type of behaviour when dealing with individual cases, but lacks detailed robust data on this population as a whole. HMRC only records whether tax due is ultimately paid and it is currently challenging to provide a single taxpayer overview. Although HMRC does not think this problem is widespread, the department believes that up to half of businesses who reach the enforcement stage of debt collection could be in this group and the threat of enforcement is most effective in encouraging these businesses to pay.
- 3.3 The pandemic led HMRC to taking a more data driven approach which helped it to assess how taxpayers had been affected by COVID-19 and their subsequent recovery. This enabled HMRC to tailor customer communications appropriately, so it could support those taxpayers estimated to be in financial difficulty while only proactively seeking payment from those who HMRC estimated could repay their tax debts. HMRC is continuing to gradually develop this data driven approach to target its debt management activity by improving the department's ability to assess businesses' ability to pay and their likelihood of paying. This will enable HMRC to determine the most appropriate action for each taxpayer, including where to apply existing enforcement powers more quickly when businesses are deliberately not paying their tax debts.
- 3.4 There will still be a small minority of businesses who will not change their behaviour despite the threat of earlier enforcement. HMRC is seeking stakeholder views on what more can be done to target these businesses, including whether some of the department's existing powers, which are currently only used to tackle tax avoidance and evasion, could be extended in a specific and limited way to support tax debt enforcement work.

### HMRC's Powers and Safeguards Principles

- 3.5 Taxpayers need to be confident that HMRC's powers are used reasonably, in order to maintain and build public trust in the tax system. All of HMRC's powers are balanced by safeguards, helping reassure taxpayers that powers are exercised proportionately and consistently. In particular, obligations should be clear and easily understood, with decisions made in a consistent way that promotes trust and fairness.
- 3.6 HMRC believes that its approach to implementing powers in recent years has been broadly consistent with the 2005-2012 Powers Review principles. The department is committed to ensuring any new powers continue to be consistent with the principles, and will be proportionate, straightforward and effective with appropriate safeguards and support, particularly for customers who need extra help.

- 3.7 Any policy development will also need to clearly define the scope and application of new proposals. HMRC will work with relevant stakeholders to identify the thresholds at which new tools would be most effective in terms of encouraging businesses to pay their tax on time.

**Question 9:** Do you have any views on how often businesses who can pay their tax debt repeatedly choose not to, and whether HMRC should take steps to tackle this issue?

## Security deposits

- 3.8 HMRC has the power to require high-risk businesses to provide an upfront security deposit, where it believes that there is a serious risk of non-payment. HMRC holds the security deposit while monitoring the tax affairs of the business and will return it when it considers there is no longer a risk that the business will fail to pay its tax debts. HMRC can also use some or all of the security to pay what is owed. Intervention is only considered in a small number of cases where there is clear evidence that a significant amount of revenue, relative to the size of the business, is at risk.<sup>12</sup>
- 3.9 It is a criminal offence to not give the security shown on a notice issued by HMRC. In the event of a successful prosecution, a fine may be payable which has no limit and is set by the court.
- 3.10 In 2018/19, HMRC considered security interventions in 478 cases but only issued nine notices. The threat of HMRC requiring a security often prompted a positive response with the taxpayer became compliant or agreed a Time to Pay instalment arrangement.
- 3.11 Only one security payment was received in this period and eight customers were referred to Criminal Investigations for potential prosecution. This highlights the impact security action can have if applied at the correct time and in the correct scenario.
- 3.12 This regime can currently only be used in cases where there is serious non-compliance with reporting the correct tax liability due to avoidance and evasion of tax and not in cases where a business simply does not engage with HMRC, and regularly delays paying or does not pay despite having the ability to do so.

**Question 10:** To what extent do you think expanding security deposits to include repeated, intentional non-payment would incentivise businesses to pay their future tax liabilities on time?

## Directors personal guarantee

- 3.13 A director's personal guarantee is a pledge made by a director to repay money on behalf of the company. This is often required if a company needs a business loan or to secure business needs such as ordering stock. HMRC is interested in exploring whether

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<sup>12</sup> **PAYE and NI:** Part 4A of the Income Tax (Pay As You Earn) Regulations 2003 and Part 3B of Schedule 4 to the Social Security (Contributions) Regulations 2001

**VAT:** paragraph 4(2)(a) of Schedule 11 to the VAT Act 1994.

**Corporation Tax:** [Corporation Tax \(Security for Payments\) Regulations 2019](#)

personal guarantees could be used to encourage companies to pay their tax on time where they have a history of non-payment despite having the ability to pay.

- 3.14 For example, directors of companies that have a history of non-payment with HMRC could be required to put up a personal guarantee from their own assets. This personal guarantee could be required in cases where the company has failed to make payments consistently or has debts outstanding after a certain period.

**Question 11:** To what extent do you think using director's personal guarantees for businesses with a history of repeated, intentional non-payment would incentivise businesses to pay their tax debt?

## Role of agents

- 3.15 HMRC is committed to raising standards in the tax advice market, to tackle the minority of agents whose activities harm their clients, reduce public revenue, and undermine the functioning of the tax advice market.
- 3.16 As part of the work on raising standards, the government has published a Summary of Responses and next steps to the consultation on introducing mandatory Professional Indemnity Insurance for tax advisers, and will be consulting on further options in early 2022.
- 3.17 At the Spending Review the government also provided investment for a pilot to improve the identity verification of agents that register with HMRC and funding to deliver the Single Customer Record and Account. These will help improve the way agents and their clients interact with HMRC and will create a simpler, faster and better customer experience, allowing taxpayers to see and manage all their tax affairs in one place.
- 3.18 HMRC recognises the value of having professional agents help taxpayers comply with their tax obligations. HMRC also expects agents to comply fully with tax law and regulations relating to their professional activity, to ensure that their own tax affairs are correct and up to date, to deal courteously and professionally with HMRC staff and to have clear terms of engagement with their clients.
- 3.19 HMRC wants to engage with agents in a more proactive way. A significant number of businesses engage the services of agents to provide advice, complete tax returns and interact with HMRC on their behalf. Many agents however do not get involved in whether their client actually pays what they owe after an agent submits a return. HMRC would like to hear from agents on how they could assist it in tax payments, so that when returns are submitted, agents can also encourage their clients to make payments on time.

**Question 12:** What opportunities are there for agents and intermediaries to play a greater role in helping their clients engage with, and pay tax due, to HMRC?

## 4. Assessment of impacts

### Summary of impacts

Year	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 -26	2026 -27
<b>Exchequer impact (£m)</b>						

### Exchequer Impact Assessment

Impacts	Comment
Economic impact	If any proposals are taken forward, the economic impacts will be identified following consultation and final design of the policy.
Impact on individuals, households and families	If any proposals are taken forward, any future impacts will be fully examined and detailed. There is expected to be no impact on family formation, stability or breakdown
Equalities impacts	If any proposals are taken forward any future impacts will be fully examined and detailed. It is not anticipated that there will be any impacts for those in groups sharing protected characteristics.
Impact on businesses and Civil Society Organisations	If any proposals are taken forward, any future impacts will be fully examined and detailed. There is expected to be no impact on businesses or civil society organisations at present.  This is not expected to increase business customer costs significantly at present
Impact on HMRC or other public sector delivery organisations	As this is a call for evidence, with no policy proposals, operational impacts are unknown.
Other impacts	None identified at this stage.

## 5. Summary of questions

**Question 1:** To what extent do businesses not hold any UK assets at their principal place of business, and do you think this will increase?

**Question 2:** What are your views on whether and how HMRC should modernise to adapt to the increase in businesses who do not hold any UK assets, in order to minimise non-payment of tax debts?

**Question 3:** To what extent do businesses make use of in-house leasing, is it more popular in certain industries/sectors than others and do you think this model will increase?

**Question 4:** What are your views on whether and how HMRC should modernise to adapt to the use of in-house leasing, in order to minimise non-payment of tax debts?

**Question 5:** To what extent do businesses make use of intangible assets, and do you think this will increase?

**Question 6:** What are your views on whether and how HMRC should modernise to adapt to an increased use of intangible assets, in order to minimise non-payment of tax debts?

**Question 7:** To what extent do businesses use digital wallets, and do you think this will increase?

**Question 8:** What are your views on whether and how HMRC should modernise to adapt to an increased use of digital wallets, in order to minimise non-payment of tax debts?

**Question 9:** Do you have any views on how often businesses who can pay their tax debt repeatedly choose not to, and whether HMRC should take steps to tackle this issue?

**Question 10:** To what extent do you think expanding security deposits to include repeated, intentional non-payment would incentivise businesses to pay their future tax liabilities on time?

**Question 11:** To what extent do you think using director's personal guarantees for businesses with a history of repeated, intentional non-payment would incentivise businesses to pay their tax debt?

**Question 12:** What opportunities are there for agents and intermediaries to play a greater role in helping their clients engage with, and pay tax due, to HMRC?

## 6. The consultation process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1      Setting out objectives and identifying options.
- Stage 2      Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3      Drafting legislation to effect the proposed change.
- Stage 4      Implementing and monitoring the change.
- Stage 5      Reviewing and evaluating the change.

This consultation is taking place during stage 1 of the process. The purpose of the consultation is to seek views on the policy design and any suitable possible alternatives, before consulting later on a specific proposal for reform.

### How to respond

A summary of the questions in this consultation is included at chapter 5.

Responses should be sent by 15<sup>th</sup> February 2022, by e-mail to [modernisationofdebt@hmrc.gov.uk](mailto:modernisationofdebt@hmrc.gov.uk) or by post to: HMRC – Debt Strategy, 1<sup>st</sup> Floor, Leeds Regional Centre, 7&8 Wellington Place, Wellington Street, Leeds, LS1 4AP

Please do not send consultation responses to the Consultation Coordinator.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC's GOV.UK pages](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

### Confidentiality

HMRC is committed to protecting the privacy and security of your personal information. This privacy notice describes how we collect and use personal information about you in accordance with data protection law, including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act (DPA) 2018.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes.

These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018, UK General Data Protection Regulation (UK GDPR) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must



comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs.

## **Consultation Privacy Notice**

This notice sets out how we will use your personal data, and your rights. It is made under Articles 13 and/or 14 of the UK General Data Protection Regulation.

### **Your data**

We will process the following personal data:

Name

Email address

Postal address

Phone number

Job title

### **Purpose**

The purpose(s) for which we are processing your personal data is: Modernising Debt Collection from Non-Paying Businesses Call for Evidence

### **Legal basis of processing**

The legal basis for processing your personal data is that the processing is necessary for the exercise of a function of a government department.

### **Recipients**

Your personal data will be shared by us with HM Treasury.

### **Retention**

Your personal data will be kept by us for six years and will then be deleted.

### **Your rights**

You have the right to request information about how your personal data are processed, and to request a copy of that personal data.

You have the right to request that any inaccuracies in your personal data are rectified without delay.

You have the right to request that any incomplete personal data are completed, including by means of a supplementary statement.

You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.

You have the right in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted.

## Complaints

If you consider that your personal data has been misused or mishandled, you may make a complaint to the Information Commissioner, who is an independent regulator. The Information Commissioner can be contacted at:

Information Commissioner's Office

Wycliffe House

Water Lane

Wilmslow

Cheshire

SK9 5AF

0303 123 1113

[casework@ico.org.uk](mailto:casework@ico.org.uk)

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

## Contact details

The data controller for your personal data is HM Revenue and Customs. The contact details for the data controller are:

HMRC

100 Parliament Street

Westminster

London SW1A 2BQ

The contact details for HMRC's Data Protection Officer are:

The Data Protection Officer

HM Revenue and Customs

14 Westfield Avenue

Stratford, London E20 1HZ

[advice.dpa@hmrc.gov.uk](mailto:advice.dpa@hmrc.gov.uk)

## Consultation principles

This call for evidence is being run in accordance with the government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: [Consultation Principles Guidance](#)

If you have any comments or complaints about the consultation process, please contact the Consultation Coordinator using the following link:

[Submit a comment or complaint about HMRC consultations](#)

Please do not send responses to the consultation to this link.

# Annex A: Relevant (current) Government Legislation

## Taking Control of Goods (TCoG)

United Kingdom variations;

- TCoG applies in England and Wales,
- Attachment applies to Scotland, and
- Distraint applies to Northern Ireland.

Legislation at [Part 3 of the Tribunals, Courts and Enforcement Act 2007 \(TCEA 2007\)](#)

## Joint and Several Liability

[Finance Act 2020 \(legislation.gov.uk\)](#)

[77A of the Value Added Tax Act 1994](#)

## Security Deposits

**PAYE and NI:** [Part 4A of the Income Tax \(Pay As You Earn\) Regulations 2003](#) and [Part 3B of Schedule 4 to the Social Security \(Contributions\) Regulations 2001](#)

**VAT:** [paragraph 4\(2\)\(a\) of Schedule 11 to the VAT Act 1994.](#)

**Corporation Tax:** [Corporation Tax \(Security for Payments\) Regulations 2019](#)

## Direct Recovery of Debt (DRD)

[www.legislation.gov.uk/ukpga/2015/33/schedule/8/enacted](http://www.legislation.gov.uk/ukpga/2015/33/schedule/8/enacted)