HM Revenue
& Customs

Income Tax Self Assessment registration for the self-employed and landlords

Call for evidence

Publication date: 30 November 2021

Closing date for comments: 22 March 2022

Summary

Subject of this call for evidence (CfE)

This call for evidence seeks views on the case for reforming registration for Income Tax Self Assessment for individuals with income from self-employment or property.

Scope of this CfE

The government is seeking views on how and when taxpayers with new sources of self-employment or property income should start to interact with the tax system and whether current processes can be updated to provide a better experience for individuals and businesses.

Who should read this

HMRC welcomes responses from any individual, business or representative with views on how and when individuals should register for Income Tax Self Assessment and start to interact with the tax system. This will be of particular interest to the self-employed, landlords, small businesses, accountants, tax agents, legal professionals, bookkeepers, software providers, financial advisers and their clients. Taxpayer representative bodies, charities and other voluntary organisations that help people with their tax affairs will also have an interest. We also want to hear from third parties such as further education establishments, youth groups, banks, insurance companies and anyone interacting with new businesses or those considering setting up a new business.

Duration

The call for evidence will run from 30 November 2021 to 22 March 2022.

Lead officials

Alex Marsh & Allison Huggins

How to respond or enquire about this CfE

Any responses or queries about this CfE should be sent to itsaregistrationconsultation@hmrc.gov.uk

This CfE considers different aspects of the process of registering for self-employment and notifying liability to tax. Respondents should not feel that they have to respond to all of the questions in this document. HMRC also welcomes partial responses, focussed on individual experiences and aspects of the subject that are most relevant to the respondent.

Additional ways to be involved

HMRC is keen to collaborate with a wide range of respondents and will hold a number of online discussions to ensure that all views are heard. Please contact HMRC using the details above if you would like to be involved.

After the CfE

Responses to this call for evidence will inform future policy proposals to reform how and when the self-employed and landlords register and start to interact with HMRC, which will then be subject to further consultation in accordance with the tax policy-making process.

Getting to this stage

In July 2020, the government published a 10-year strategy to build a trusted, modern tax administration system. The strategy signposted a range of reforms the government will consider, including how taxpayers are identified and registered by HMRC. HMRC is now keen to engage with respondents to explore the case for reforming registration for the self-employed and landlords in more detail.

Previous engagement

Preliminary discussions with tax professional bodies and taxpayer representative groups held between July 2020 and January 2021 considered the themes and opportunities set out in the government's 10-year tax administration strategy. Two calls for evidence, on 'the tax administration framework: supporting a 21st century tax system' and 'timely payment', were published in March 2021. The summary of responses documents were published on 30 November 2021. HMRC would like to explore those responses in more detail.

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Foreword

In July 2020 the Government published its 10-year tax administration strategy - 'Building a trusted, modern tax administration system'. This set out a vision for a modern tax administration that keeps up with the rapid changes taking place in society, the economy and technology. This call for evidence is part of the next steps in moving towards a tax system that works closer to real time to help deliver the flexible, resilient and responsive tax system the UK will need in the years ahead.

The early days of business for the newly self-employed and landlords are a busy time when tax obligations may not be a priority. The government wants to understand whether bringing forward the point at which the newly self-employed and landlords are required to identify themselves to HMRC will help support taxpayers to develop good tax habits early, ultimately creating a better taxpayer experience.

The government is committed to maintaining an open dialogue in its effort to design a tax administration system fit for the 21st century that meets the needs of service users and taxpayers. We welcome your contributions.

Rt Hon Lucy Frazer QC MP

Financial Secretary to the Treasury

1. Introduction

Background

1.1. The government wants tax to be straightforward, easy to get right and hard to get wrong. Most people want to be on top of their tax affairs. The government is seeking evidence on Income Tax Self Assessment (ITSA) registration to understand whether bringing forward the point at which the newly self-employed and landlords are required to identify themselves to HMRC would help achieve these goals. Related improvements to registration more broadly are also being considered.

1.2. Reform in this area aims to create a more efficient tax system that protects the taxpayer. If taxpayers interact with the tax system early, they get the best opportunity to understand their tax obligations and prepare for paying tax. This might include understanding good record keeping, or using HMRC's Budget Payment Plan[1] to plan, prepare and start paying towards a first tax bill.

1.3. For many self-employed taxpayers, registering for ITSA also opens the door to important additional benefits, such as paying Class 2 National Insurance Contributions to build entitlement to a state pension, accessing tax free childcare or the construction industry scheme.

1.4. In due course earlier registration could mean the newly self-employed and landlord population could access the benefits of Making Tax Digital (MTD) sooner.

1.5. There are a number of broad themes we would like respondents to consider as they progress through the document:
   a. The most effective methods of raising taxpayer awareness of their registration obligations
   b. The timing of the registration obligation in relation to the start of trading
   c. The nature of the obligation (which is currently to notify income tax liability rather than to 'register' for ITSA)
   d. Administrative burdens and costs to the taxpayer and HMRC.

Scope

1.6. ITSA is a system HMRC uses to collect Income Tax, Class 2 and 4 National Insurance and Capital Gains Tax, where tax has not been deducted automatically from wages, pensions and savings. It is also used by individuals who need to claim a tax relief or allowance and companies making claims outside their company tax returns.

1.7. The scope of this call for evidence is limited to self-employment income, property income, and partnership or foreign income from trading and property. ITSA legislation applies to a number of other income sources, and in developing any future policy options the government will consider the arguments for and against restricting any

[1] At Spring Budget 2021 the government announced improvements to the existing Budget Payment Plan for ITSA customers, in response to customer insight, to be in place by the end of 2021/22.

changes to the self-employed and landlords or applying them to the whole ITSA population.

Personas

1.8. Throughout this document two fictional personas help illustrate the impacts of the current registration process and the possible effects of changes.

Box 1: Personas used throughout the document to provide illustrative examples

Arif, decorator, sole trader.

- Started full time self-employment in May 2020.
- Should pay Income Tax and National Insurance through Self Assessment.
- Income fluctuates but he thinks is circa. £25,000 per year.
- Cannot afford an agent. Relies on friends and family for tax advice.
- Deals mainly in cash, struggles to keep accurate records and prefers paper
- Has registered for a unique taxpayer reference (UTR) and notified liability just prior to the 5 October 2021 deadline for the tax year 2020-21.
- Will join MTD for ITSA from April 2024.

Ryan, multiple incomes including as a gig economy worker and an employee.

- PAYE income is £52,000 per year; liable for High Income Child Benefit Tax Charge (HICBC).
- Should pay Income tax and National Insurance through PAYE and ITSA (HICBC and self-employment).
- Gig economy work has expanded recently – means multiple additional income streams.
- Reports larger ‘gigs’ for tax but not the ‘smaller’ ones.
- Uses an agent and has completed ITSA returns for HICBC and some self-employment income for a few years.
- Comfortable using software to keep records but doesn’t see the point of including smaller, cash paid jobs.

2. Understanding Income Tax Self Assessment registration

Overview of Chapter

2.1. This Chapter explains the current relevant legislation and 'registration' process. It invites views on the way the current rules operate and seeks insight on taxpayers' experiences when registering for Income Tax Self Assessment (ITSA).

Notifying liability

2.2. Section 7 of the Taxes Management Act (TMA) 1970 requires individuals to give notice of liability to income tax and capital gains tax. The law does not require taxpayers to register for ITSA. The obligation applies to every person who is liable to income tax and capital gains tax, unless they have already received a notice to file from HMRC (or are exempted under a number of prescribed scenarios).

2.3. The obligation to give notice of liability must be completed no more than six months after the end of the tax year in which the taxpayer became liable. This gives HMRC time to issue the taxpayer with a notice to file a tax return, and the taxpayer time to complete and submit it by the statutory deadline. Because it is tied to the tax year, the timing of the obligation in relation to the start of self-employment can be very different. An individual who starts self-employment on 5 April 2020 needs to tell HMRC by 5 October 2020 (6 months)[2]. By contrast, an individual who starts self-employment one day later, on 6 April 2020, does not have to tell HMRC until 5 October 2021 (18 months).

2.4. Taxpayers who are already within ITSA for other reasons, for example because they pay the High Income Child Benefit Tax Charge (HICBC), receive a notice to file an ITSA return from HMRC each year. This means they do not need to notify liability in relation to new self-employment or property income. They do need to include it on their tax return, which might not be due for up to 22 months after starting. Figure 1 presents the legal obligations and possible taxpayer journeys depending on when the new income stream begins and whether the taxpayer is already receiving a notice to file.

Registering for ITSA

2.5. Taxpayers notify HMRC of liability through the process of "registering" for ITSA. Taxpayers are advised to use the Online Tax Registration Service (OTRS)[3] using different forms depending on whether individuals are registering self-employment or not. Registering self-employment for Class 2 National Insurance contributions (NICs) and notifying liability are two separate things that are done together when registering for ITSA. Class 2 NICs provide entitlement to certain contributory benefits, including state

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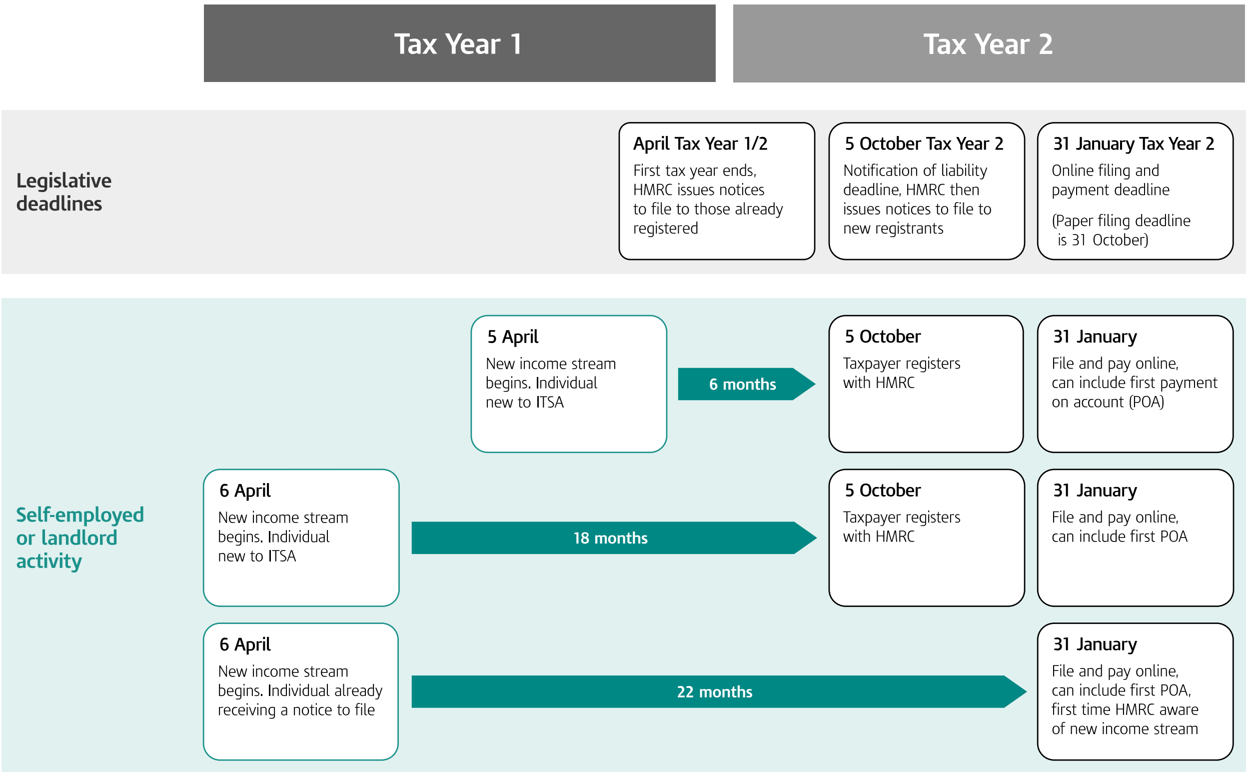
[2] ITSA population data for new trading in tax year 2019-20 shows approximately 650,000 individuals filing a return with new trading income compared to 2018-19. Approximately 310,000 were new registrations and approximately 215,000 of those new registrations chose to register within the year they started trading.
[3] alternative routes are available for those taxpayers who are digitally excluded or use assisted digital.

pension. Therefore, individuals who do not have to pay tax, for example because they are below the income tax threshold, may register for ITSA to pay Class 2 NICs[4].

Figure 1 – Taxpayer journeys for the newly self-employed and landlords



2.6. Other reasons individuals may register for ITSA include accessing additional products and services, like:

a. Preserving their National Insurance record to support applications for maternity allowance
b. Gaining access to Tax-Free Childcare
c. Joining the Construction Industry Scheme
d. Accessing third-party software or financial credit to help their business in its early days and enable growth
e. Accessing Universal Credit, with obligations to report self-employed income to the Department for Work and Pensions.

Question 1 – How simple and well understood are the current legislation and processes for notifying liability and registering for ITSA? What are the benefits and/or drawbacks of the current system?

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[4] Depending on their level of taxable self-employed income, a self-employed taxpayer may also have to pay Class 4 NICs.

Registration, filing and payment: UK and international comparisons

2.7. Once registration is complete, taxpayers and partnerships receive a unique taxpayer reference (UTR) and HMRC issues a notice to file at the appropriate time, requiring taxpayers to file their returns and make payment by the filing deadline. Filing and payment timing is designed to be contingent on registration timing: taxpayers usually identify themselves to HMRC before they can file and pay[5]. The standard filing deadline is 31 January following the end of the tax year in which self-employment or property income started (up to 22 months for some). Taxpayers are then required to pay tax on profits earned during their first tax year, as well as a payment on account for the current year, if a threshold is met.

2.8. ITSA and Corporation Tax Self Assessment (CTSA) are different to other UK tax regimes in their system of notifying HMRC of liability, HMRC issuing a notice to file and taxpayers filing and paying. Others like VAT and PAYE have a simpler system of more immediate registration, followed by submission of a return and payment.

2.9. Annex A provides examples of international tax systems for self-employment registration, filing and paying. None of them have obligations equivalent to the UK's system of notifying liability. Views are welcomed from those with experience of international tax regimes that could exemplify best practice.

Question 2 – If you have experienced registration processes across different UK taxes or internationally please tell us more about how they compare. What works well and what could be better?

Deregistration

2.10. Taxpayers are not required to deregister in the way that they are required to notify HMRC of liability. There is a box on the SA return to tick if the trade has ceased, or taxpayers can contact HMRC to say their self-employment or property income has ended. If a taxpayer stops being self-employed or receiving property income, for example because their business never managed to get off the ground, HMRC need to close that part of the ITSA record so the taxpayer no longer receives a notice to file.

2.11. Some taxpayers may remain in ITSA if they have other sources of income such as investment income, pension income or foreign income.

Question 3 - What are your experiences of closing an ITSA record of self-employment or property income? Is it easy to understand and complete?

Compliance

2.12. Taxpayers who do not tell HMRC they are liable to income tax, because their new business has made a taxable profit, by the appropriate deadline may face a 'failure to notify' penalty. The size of the penalty is determined by the amount of unpaid tax, the

[5] Taxes Management Act 1970; Section 8 legislates for personal returns, Section 12D legislates for returns made otherwise than pursuant to a notice and Section 59 legislates payment of tax

behaviour that gave rise to the failure, and the nature and quality of any disclosure made by the taxpayer to HMRC.

2.13. Taxpayers must keep and preserve records that enable them to file a correct and complete ITSA tax return. HMRC can charge a penalty of up to £3,000 for a failure to keep or preserve records. Early interaction with the tax system facilitates the formation of good record keeping habits from the outset of trading and puts taxpayers in control of whether or not sanctions are incurred.

Question 4 - What difficulties do taxpayers new to ITSA face in complying with their obligation to notify liability? What are the causes of these issues?

Making Tax Digital for ITSA

2.14. From April 2024 Making Tax Digital (MTD) for ITSA will require existing self-employed taxpayers and landlords with qualifying income greater than £10,000 to keep their records digitally and submit their data using MTD-compatible software. Businesses that start after 6 April 2023 and submit a return with a qualifying income in excess of £10,000 will need to start using MTD for ITSA from the beginning of the next tax year. Instead of an annual Income Tax return, businesses and landlords will send HMRC quarterly updates of their income and expenditure, before finalising their business income after the end of the tax year.

2.15. When taxpayers notify liability and register for ITSA they can prepare for upcoming MTD requirements or choose to join MTD early from the commencement of their business.

3. Challenges under the existing system

Overview of Chapter

3.1. This Chapter outlines a number of possible challenges encountered by taxpayers and HMRC under the current rules and seeks views on their impact.

3.2. A number of the challenges identified have come from engagement on and responses to the Tax Administration Framework Review (TAFR) call for evidence and the Timely Payment call for evidence, both published in March 2021. The summary of responses for both calls for evidence have been published alongside this document. They have a wider scope than this call for evidence.

Knowing about and understanding obligations

3.3. Tax is one of many things to navigate when starting out as self-employed or a landlord. Early interaction with HMRC can be de-prioritised in favour of the other practical needs of fledgling businesses such as opening a bank account, finding premises, getting the right equipment or advertising products/services.

3.4. Some who are new to tax, or are new to ITSA, may be conceptually aware of the need to file a return and pay tax by 31 January but may not know about the need to register and notify liability. HMRC guidance advises taxpayers to register as soon as possible after starting self-employment or becoming a landlord.

3.5. Others may find out about obligations when they engage an intermediary. Alternatively, they may get advice from friends and family or others in their business sector or they may do some internet research. Some will find and use the ITSA helpline and contact HMRC for advice.

3.6. Many respondents to the TAFR call for evidence said taxpayers do not have good understanding of their tax obligations and that HMRC needs to do more to support them, specifically when they need to register for tax, and how to go about doing so. HMRC does not currently identify the newly self-employed or landlords until they take action to make themselves known.

Question 5 – How do customers new to self-employment or property income learn about the ITSA registration process and associated tax obligations? What are the issues with this?

Potential challenges caused by *timing* of registration

3.7. Failing to engage with the tax system early can result in a poor taxpayer experience when lack of awareness of obligations leads to missed deadlines and sanctions.

3.8. Those aware of the need to register with HMRC have reported they are confused by the length of time between the start of their new business and the date by which they need to register. For a new ITSA taxpayer this can be up to 18 months. For a taxpayer who is already registered and starts a new business HMRC may not become aware of the new business for up to 22 months (see Figure 1 above).

3.9. As noted in paragraph 2.8 there are also various timing requirements for different taxes which can be confusing for taxpayers.

3.10. Taxpayers who do not register until closer to the notification of liability deadline will already have formed tax habits. Poor record keeping habits established at the start of trading become difficult to break or reverse later. This could make it more difficult should the taxpayer's income grow above £10,000, and they need to change from paper-based record-keeping and annual reporting to digital record-keeping with quarterly updates, under Making Tax Digital for ITSA.

3.11. Some taxpayers report a payment 'pinch point' when they file their first return. Some report being shocked on receiving their first tax bill to discover they must make a payment on account towards the current year's tax bill as well as paying the whole of the previous year's tax. Taxpayers who notify liability close to the deadline have missed out on up to 18 months of awareness about their future tax payments. Evidence suggests some businesses fall into debt or fail altogether because of inadequate provision for this first bill.

3.12. Others are not aware early enough in their business lifecycle about helpful products and services like the HMRC Budget Payment Plan, which can aid cashflow management, helping taxpayers to navigate and prepare for their first and future tax bills.

3.13. The delay also means HMRC does not have an up-to-date accurate record of the self-employed population. This was an issue when the government provided economic support to self-employed people during the pandemic. Had earlier registration and more regular reporting of income (for example through MTD for ITSA) been in place, then the government would have been able to consider offering support earlier to those who had recently started self-employment.

Box 2: Arif's experiences from his first year of trading

- Arif started his decorating business during lockdown.
- As he registered and notified liability just prior to the deadline he missed out on time to consider his tax obligations and prepare for paying tax.
- Arif now needs to complete his first Tax Return.
- He puts together what he thinks is the right information and submits his return.
- HMRC informs him of his tax liability for the tax year just ended and additionally asks for a payment on account (POA) for the current tax year; this is much greater than he thought it was going to be.
- He does not know how he is going to pay.
- If he had not eventually notified liability, he may have been liable for a failure to notify penalty.

Question 6 – What challenges do taxpayers experience as a result of the delay between a business starting and the deadline for notification?

Other potential challenges encountered at registration

3.14. Taxpayers have a responsibility to understand their tax obligations and pay what they owe but this can be challenging while trying to run a business. People face a range of regulatory obligations and tax rules can be daunting, especially for those used to the PAYE system. Tax can be hard to prioritise and easily be deferred or overlooked. This may lead to people becoming part of the hidden economy, which includes both people who understand their obligation to register but deliberately don't do so, and people who fail to register because they don't know that they should.

Box 3: Ryan's experiences of being registered for ITSA then beginning new self-employment

- Ryan was already registered for ITSA for HICBC purposes when he decided to take on additional 'gig' work.
- HMRC does not know about Ryan's new income source until he submits his next return and completes the self-employment pages.
- Ryan has not reported his smaller gigs as they were 'too small to bother about' for record keeping.
- If he had checked guidance earlier, he may have realised that all his self-employed income should be reported. Some of these jobs started nearly two years ago and he does not have the records to work out how much tax he has underpaid.
- Deliberately not complying with his tax obligations makes Ryan liable to a penalty.

3.15. Some taxpayers report difficulties understanding when to register their business as new income streams are difficult to define. For example, it is not always clear whether a person is trading or when the trading activity began because it depends on the facts of each case. When something starts as a hobby (with, understandably, no records) then becomes a trade, it may be difficult to establish when the trade commenced.

Box 4: Ryan's experiences of understanding whether he is trading

- He's already registered with a UTR and reporting 'bigger gigs' but he also has new smaller jobs which he does not include as part of the income he reports in his ITSA return.
- Some of the smaller jobs are for new types of activity which he is trying for the first time and he does not include them in his tax return because he does not consider that they are 'trading'.

Question 7 – Are taxpayers clear on what trading is, and when they started or stopped trading? What factors about trading make it difficult to decide whether or not to register?

3.16. There are various interactions that the newly self-employed and landlords have across government. For example, interacting with the Department for Business, Energy and Industrial Strategy (BEIS) to access guidance and support programmes. Many don't differentiate between different parts of government and there is sometimes an expectation that all government departments know about them if they have interacted with one. Individuals expect information to be shared across government, and don't understand why support and guidance is not signposted, from the first interaction with one area of government.

Question 8 - What are taxpayers' experiences of interacting with different government departments when starting self-employment?

Question 9 – Do you agree that chapter 3 sets out the challenges presented by the current registration system? Are there others?

4. Exploring the future of ITSA registration

Overview of Chapter

4.1. This Chapter seeks views on possible reforms to improve ITSA registration and initiate a more positive long-term relationship between HMRC and the taxpayer.

4.2. The 10-year tax administration strategy set out a number of important future reforms relating to ITSA and registration, including Making Tax Digital (MTD) for ITSA and a Single Customer Account. Any future changes to registration for self-employment must complement and support these reforms.

4.3. In chapter 3 we discussed some of the key risks associated with the current system of registering for ITSA. Some are very broad issues about taxpayer awareness and how much HMRC knows about the population; others are more directly to do with the nature and timing of the registration obligation:

a. taxpayers don't identify and understand the need to register
b. taxpayers assume HMRC already knows about them
c. HMRC makes insufficient use of third party information, nudges and prompts
d. taxpayers don't always know whether they are trading or when they started or stopped trading
e. the long period between starting a business and tax obligations can cause problems; poor tax habits can become established
f. any future transition to MTD may be more difficult; the opportunity to integrate digital record-keeping with the way that people run their business from the outset may be lost
g. lack of budgeting for the first tax bill causes cashflow and/or compliance problems
h. HMRC's knowledge about the size and make-up of the self-employed population is incomplete and out of date.

4.4. Changing the nature or timing of the registration obligation could address some of these risks. Other risks will require different solutions and a range of legislative and non-legislative options may be needed.

Reform the current obligation to notify liability

4.5. The current deadline of 6 months from the end of the tax year in which the taxpayer becomes liable could be reduced to, say, 2, 3 or 4 months.

4.6. As now, taxpayers would need to start to interact with HMRC only when they knew they had taxable income. But retaining the link with the tax year would mean perpetuating the inconsistency of tax obligations starting, depending on the point in the tax year the business starts. HMRC would still not know about many new businesses for over a year.

Create a new obligation triggered by the start of new self-employment or property income

4.7 A new obligation could replace the current obligation to notify liability, removing the link to the tax year and the anomaly it creates (see paragraph 2.3).

4.8 For individuals new to ITSA, there could be an obligation to register for ITSA at a specified period after the start of the new self-employment or property income.

4.9 For taxpayers already within ITSA, there could be a new obligation to tell HMRC about the new self-employment or property income, again at a specified period after it starts.

4.10 Filing and payment obligations could remain the same.

4.11. This would achieve consistency for all taxpayers on when the obligation is triggered, which might be simpler for them to understand and for their agents to explain. The obligation could be brought much closer to the date the self-employment or property income commences. HMRC would have much more up to date information about the population.

4.12 There could be a risk of deadweight costs from bringing into ITSA businesses that never become profitable. If the obligation is triggered too early, taxpayers may have difficulty identifying whether and when they started trading. Sanctions and safeguards would need to be carefully considered so they are proportionate and effective.

4.13 Alternatively, the obligation could be triggered when a set turnover threshold was met, for example £1,000 to align with the trading allowance.

Box 5: How earlier registration could have improved Arif's first year in business

- If he had registered earlier, he could have been signposted to guidance that would have helped him understand his tax obligations and how to establish good record keeping, keep on top of his cashflow and budget for his tax bill effectively.
- He could have had earlier peace of mind regarding his tax obligations.
- He could have had an earlier opportunity to find out about HMRC's Budget Payment Plan.
- He could have been signposted earlier to support from other government departments, such as BEIS for accessing grants.

Question 10 – Are these the right options for changing the obligation? Which is better? Are there others?

Question 11 - What is the right period after the start of the new self-employment or property income for the obligation to be triggered?

Intermediaries and third party information

4.14. HMRC could explore ways to use third party data to identify people who have recently started in business, making them aware of the need to register if they have not yet done so. Better use could be made of self-employment "touchpoints" as conduits for information about tax obligations.

4.15. A newly self-employed taxpayer may be applying for business rates, getting a business bank account or applying for licences or safety certificates. A new landlord may be applying for buy-to-let mortgages or getting an insurance policy.

4.16. This could also be about leveraging the role of intermediaries so that agencies and agents taking on new clients play a more active role in the tax registration process.

4.17. There should be efficiencies from tapping into existing information in this way: taxpayers would learn about their tax obligations as they go about setting up a new business. This could help minimise the burdens on taxpayers and help them understand their entitlement to reliefs and allowances. HMRC would gain more up to date information about the population.

4.18. Encouraging the adoption of digital record keeping could integrate tax reporting with the way that taxpayers run their business from the outset. There may be opportunities for software and app providers to build tax registration into their products. HMRC could explore using this information for automation and pre-population.

4.19. The development of the Single Customer Account may provide a route for taxpayers to register and to help them become aware of their new tax obligations. It could provide timely messages about other obligations and deadlines they will encounter in connection with their new business.

4.20. HMRC could also signpost new business taxpayers to help from other government departments, like how to access any regional or sector specific grants available from BEIS.

4.21. Coverage could be patchy because not all businesses navigate the same touchpoints. HMRC would need to explore the extent to which intermediaries have an interest and the capacity to play a role in registration. Taxpayers' data would of course need to be protected.

Question 12 - Do these ideas for using intermediaries and third party data to improve tax registration merit further exploration? Are there others?

Next steps

4.22. If the responses to the CfE indicate an appetite to reform ITSA registration process for the self-employed and landlords HMRC will publish a consultation in 2022. The earliest implementation date for any change would be April 2024.

5. Assessment of impacts

Summary of impacts

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

Any Exchequer impact will be estimated following consultation, final scope and design of the policy and will be subject to scrutiny by the Office for Budget Responsibility.

Impacts	**Comment**
Economic impact	The economic impacts will be identified following consultation and final design of the policy.
Impact on individuals, households and families	This measure has no impact on individuals at present. We will advise on full impacts for individuals when the design has matured sufficiently. This measure is not expected to impact on family formation, stability or breakdown.
Equalities impacts	We have paid due regard to equalities impacts. The design of the policy and the populations to whom it will be applied have not been decided but groups such as those who are older, disabled or digitally excluded could be affected. We will advise on the full equalities impacts at a later date. Where impacts do occur, mitigation will be offered.
Impact on businesses and Civil Society Organisations	This measure has no impact on businesses or civil society organisations at present. We will advise on full impacts when the design has matured sufficiently.
Impact on HMRC or other public sector delivery organisations	The design of the policy is still in development so operational impacts are unknown. If taken forward, it will require changes to IT systems and it is likely that it could drive some contact demand, at least initially.
Other impacts	There is no impact on climate and fuel poverty targets, air quality targets or OGD costs at this stage. Other impacts have been considered and none have been identified.

6. Summary of call for evidence questions

Question 1 – How simple and well understood are the current legislation and processes for notifying liability and registering for ITSA? What are the benefits and/or drawbacks of the current system?

Question 2 – If you have experienced registration processes across different UK taxes or internationally please tell us more about how they compare. What works well and what could be better?

Question 3 - What are your experiences of closing an ITSA record of self-employment or property income? Is it easy to understand and complete?

Question 4 – What difficulties do taxpayers new to ITSA face in complying with their obligation to notify liability? What are the causes of these issues?

Question 5 – How do customers new to self-employment or property income learn about the ITSA registration process and associated tax obligations? What are the issues with this?

Question 6– What challenges do taxpayers experience as a result of the delay between a business starting and the deadline for notification?

Question 7 – Are taxpayers clear on what trading is, and when they started or stopped trading? What factors about trading make it difficult to decide whether or not to register?

Question 8 - What are taxpayers' experiences of interacting with different government departments when starting self-employment?

Question 9 – Do you agree that chapter 3 sets out the challenges presented by the current registration system? Are there others?

Question 10 – Are these the right options for changing the obligation? Which is better? Are there others?

Question 11 - What is the right period after the start of the new self-employment or property income for the obligation to be triggered?

Question 12 - Do these ideas for using intermediaries and third party data to improve tax registration merit further exploration? Are there others?

7. The Consultation process

This CfE 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 CfE is taking place during stage 1 of the process. The purpose of the CfE 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 6.

Responses should be sent by 22 March 2022, by email to itsaregistrationconsultation@hmrc.gov.uk

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 CfE, 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.

CfE 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 (*delete/add as appropriate*):

Name

Email address

Postal address

Phone number

Job title

Purpose

The purpose(s) for which we are processing your personal data is: *Income Tax Self Assessment registration for the self-employed and landlords*

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 (provide details of recipients of the personal data, if applicable e.g. 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

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

Consultation principles

This CfE is being run in accordance with the government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website:

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 CfE to this link.

Annex A: International examples of self-employment registration

1. In the **Republic of Ireland** chargeable persons (as defined by section 959A Taxes Consolidation Act 1917) should register for income tax when they become a sole trader/self-employed. There is a legal difference between a contract of employment (known as a contract of service) and a contract for service. There is no need to register for self-assessment if you have PAYE and non-PAYE income where the non-PAYE income does not exceed €5,000 and your gross non-PAYE income does not exceed €30,000 (section 959B Taxes Consolidation Act) The tax year runs from 1st January to 31st December and self-employed taxpayers must file their return on or before 31st October in the year after the year to which the return relates.

2. In **Australia**, you are self-employed if you fall under the definition of business in the Income Tax Self Assessment Act 1997 subsection 955-1(1). However, it is up to the taxpayer to determine when they are in business or are undertaking a hobby. Registration with the Australian Tax Authority (ATO) is not one distinct process but could include registering for an Australian Business Number (ABN), obtaining a Tax File Number (TFN) and/or registering for Goods and Services Tax (GST) which is Australia's equivalent to VAT. Dependent on the taxpayer's needs or preferences, ABN, TFN and/or GST registration for one of the following structures will essentially determine the date of entry into the tax system (*Hobby or business - help me work it out*):
   a. Sole trader (operating as an individual)
   b. Partnership
   c. Trust
   d. Company

3. In the event that no income has been derived in the initial year of operation, the taxpayer is still required to meet their reporting obligations however in this instance a non-lodgement advice may be accepted. The most common reason to lodge a non-lodgement advice is when the taxpayer has earned less than $18,200 in the income year in which case no tax is required to be paid. In Australia the tax year runs from 1st July to 30 June and the return is due by 31st October.

4. In **Canada**, there is a comprehensive guide to help decide a workers employment status (the RC4110) which sets out a number of indicators showing that the worker is a self-employed individual. A taxpayer must start reporting income when the business starts. To establish when self-employment begins the Canadian Revenue Authority (CRA) takes each case on its merits. Generally, they consider the business to have started when the taxpayer begins a significant activity that is a regular part of the business, or that is necessary to get the business going. Self-employment income is reported based on a fiscal period, described in guide T4002 as the time between the business start date and the day it ends its business year. For existing businesses, the fiscal period is usually 12 months but can be shorter, for example when a business starts. Self-employed individuals generally use a 31st December year end.

5. The **USA** considers a taxpayer as self-employed if they carry on a trade as a sole proprietor or an independent contractor, are a member of a partnership that carries out a trade or business or are otherwise in business for themselves. The self-employed are required to file an annual return and pay estimated tax quarterly. There is both an income tax obligation and a self-employment tax obligation that is social security based. The USA does not have a tax registration system. Rather, taxpayers "come into the system" when they file their first tax return and after an obligation to file has been met. Taxable income is calculated on the basis of a tax year, which is either a calendar year of 12 consecutive months beginning on 1st January and ending 31st December or a fiscal year of 12 consecutive months ending on the last day of any month except December. In the majority of cases taxpayer adopt a tax year by filing their first income tax return using that tax year.