



HM Revenue
& Customs

Tackling the hidden economy: Conditionality

Consultation document

Publication date: 26th August 2016

Closing date for comments: 21st October
2016

Subject of this consultation:	Tackling the hidden economy through “conditionality”. This means making access to services or support for businesses conditional on proving tax registration.
Scope of this consultation:	HMRC is exploring the principle of conditionality and how this could reduce activity in the Hidden Economy. This consultation invites views on the principle of conditionality, the best approach to delivering this, and the services and sectors in which this could be an effective compliance tool.
Who should read this:	HMRC is interested in views from a wide range of individuals, businesses, service providers and representative groups on the principles set out in this consultation.
Duration:	8 weeks, starting from 26 th August 2016 and closing 21 st October 2016.
Lead official:	Jamie Horton: HMRC Hidden Economy Policy and Strategy Team
How to respond or enquire about this consultation:	<p>Please send e-mail responses to: isbc.compliancepolicy@hmrc.gsi.gov.uk</p> <p>Please send written responses to:</p> <p>Jamie Horton HMRC Room G/72 100 Parliament Street London SW1A 2BQ</p>
Additional ways to be involved:	If you would like to meet to discuss this consultation please send an email to: isbc.compliancepolicy@hmrc.gsi.gov.uk
After the consultation:	Responses will be taken into account in developing the proposal and a response document will be published.
Getting to this stage:	This is the first consultation on this proposal. It follows a statement from the government at Budget 2016.

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Foreword

The vast majority of UK taxpayers pay what they owe, but a small minority seek to evade or avoid paying their fair share. The hidden economy consists of those businesses who fail to register for tax, and individuals who fail to declare a source of income that should be taxed.

By hiding their activity from HMRC, those operating in the hidden economy deprive the government of much needed funds to run public services and invest in the UK's future. In 2013/14, the hidden economy tax gap was £6.2bn. This places an unfair burden on the vast majority of people and businesses who pay their fair share of tax.

Hidden economic activity also disadvantages compliant businesses. Competition between businesses is distorted when a small minority seek to hide under the radar from their tax obligations.

This government will continue in its efforts to ensure that the UK remains a great place to set up and grow a business. We're making paying tax quicker, easier and more convenient for the compliant majority through moving to a largely digital tax system, providing businesses with their own digital tax account and enabling them to register for taxes online at a time that suits them.

Today, we are asking for your views on new proposals to tackle the hidden economy. At Budget 2016, the government announced the consultations that are being published by HMRC today. These cover:

- Proposals to extend HMRC's bulk data gathering powers to Money Service Businesses (MSBs). This will allow HMRC to identify and take action against those who misuse cash services offered by MSBs to hide sources of income from HMRC and operate in the hidden economy.
- Tougher sanctions for those who participate in hidden economy activity including repeated non-compliance.
- The principle of making access to licenses or services for businesses conditional on them being registered for tax.

Changes arising from these consultations will help us to support the majority of UK businesses by levelling the playing field between the compliant and non-compliant.

This builds on progress that the government has already made to tackle the online hidden economy, and through investment in HMRC to fund more frontline investigators to step up their response to the hidden economy.

Our message to those operating in the hidden economy is clear – it is getting harder to hide your activities, come forward before HMRC catches up with you and join the vast majority of businesses that pay their fair share of tax.

Jane Ellison
Financial Secretary to the Treasury

1. Introduction

The hidden economy

- 1.1 The majority of UK taxpayers pay what they owe, but a small minority seek to evade or avoid paying their fair share. The hidden economy consists of those who fail to register for tax and those who fail to declare a source of income. HM Revenue and Customs (HMRC) estimates that the 2013/14 tax gap due to the hidden economy stood at £6.2bn, which equates to 18% of the total tax gap. The tax gap is the difference between the receipts HMRC actually collects and the amount of tax that should be collected if all taxpayers complied with the letter and spirit of the law.
- 1.2 The UK has one of the smallest reported tax gaps in the world. HMRC remains committed to reducing it further, and as part of this, achieving a significant and sustained narrowing of the hidden economy tax gap. To accomplish this, compliance must be the easy option for customers. HMRC's compliance strategy is based on three principles:
- **promote** good compliance, making it easier for people to get things right;
 - **prevent** non-compliance, preventing mistakes and stopping things from going wrong; and,
 - **respond** to non-compliance, targeting our approach to tackling complex cases and deliberate cheats.
- 1.3 Hidden economy activity disadvantages compliant businesses. Tackling the hidden economy will ensure a level playing field for those who comply with their tax obligations. This means working to improve the ways in which customers register for tax and report their income, helping them to get things right the first time. HMRC will also make it increasingly difficult for businesses and individuals to enter the hidden economy and robustly tackle those who continue not to pay the right amount of tax.
- 1.4 Those who operate in the hidden economy may also demonstrate non-compliance in areas of their business besides tax, which might include health and safety violations, failure to comply with employment rights for workers and immigration offences. By tackling the hidden economy, HMRC can help to shrink the space for wider criminality and non-compliance to flourish.

HMRC's approach

- 1.5 The nature of business and employment is changing. Greater numbers of individuals now have multiple or flexible sources of income throughout their working lives. Technology supports these changes, with people using smart phones to access products and services and to make payments. Reflecting this, in recent years, HMRC has increased its focus on tackling the hidden economy using new data and smarter compliance work.

- 1.6 HMRC aims to support those starting in business to get their tax affairs in order early. Behavioural evidence and operational experience indicate that the greatest impact on the hidden economy tax gap stems from stopping customers entering the hidden economy in the first place, and HMRC is seeking to develop new “promote” interventions to address this. This includes guidance and tools for new and pre-start-up businesses, and work with schools to teach young people about the importance of paying tax.
- 1.7 To ensure that it becomes increasingly difficult for businesses to hide their income, the government has introduced new targeted data gathering powers to identify hidden economy businesses trading online, supporting interventions to prevent and respond to non-compliance. The government has also invested in HMRC to recruit additional hidden economy investigators to make use of these new data streams. These policy changes and HMRC investment, both announced at the 2015 July Budget, are expected to contribute total additional revenues of £860m by 2020-21.
- 1.8 These approaches are putting more pressure on those operating in the hidden economy. One strand of HMRC’s response to hidden economy activity is the deployment of targeted compliance teams. In 2015/16, those teams closed 11,000 investigations and identified unpaid tax of £174m, an increase from £146m in 2014/15.
- 1.9 This consultation, and others published alongside it, set out the government’s proposed next steps in tackling the hidden economy. That action is an important part of the government’s stance on supporting compliant businesses – by levelling the playing field so that those playing by the rules do not face unfair competition from those not paying their fair share.

Future options to tackle the hidden economy

- 1.10 HMRC remains committed to tackling the hidden economy in new and innovative ways. At Budget 2016, the government announced consultations on three proposals to cover the full range of promote, prevent and respond activity.
- 1.11 This consultation is on **conditionality**, which means making access to licences or services for businesses conditional upon businesses being registered for tax.
- 1.12 Two parallel consultations on hidden economy measures will be launched alongside this one, on:
- **Access to data held by Money Service Businesses (MSBs)** – new powers to gather data held by MSBs for tax compliance purposes, ahead of potential legislation in Finance Bill 2017.
<https://www.gov.uk/government/consultations/tackling-the-hidden-economy-extension-of-data-gathering-powers-to-money-service-businesses>

- **Hidden economy sanctions** – exploring the potential for new penalties and sanctions to tackle hidden economy participants including those who have already been penalised for deliberate non-compliance, but have not changed their behaviour.

<https://www.gov.uk/government/consultations/tackling-the-hidden-economy-sanctions>

1.13 Conditionality is part of the promote and prevent strands of HMRC's compliance strategy. The aim is to build tax compliance into the processes of doing business, making registration the easiest and default option. It's about helping customers to get their tax obligations right and raising awareness about the importance of tax compliance as a normal part of doing business.

1.14 This consultation focuses on the principles of conditionality. It does not propose specific measures at this stage, but seeks views on how conditionality can be best applied as a way of ensuring tax compliance. The evidence gathered through this consultation will be used to inform further policy development.

1.15 The way in which businesses register with HMRC will differ depending on a number of factors - for example, whether the company is set up as a sole trader, a limited company or a partnership. For a business, "registration for tax" may mean registering with HMRC for:

- Self Assessment, if the business is a new sole trader or the 'nominated partner' in a new self-employed partnership;
- Corporation Tax, if establishing a new limited company;
- PAYE for employers, if the business is taking on staff; or,
- VAT as a new business or a business that is making supplies over the VAT threshold for the first time.

1.16 HMRC is making it quicker, easier and more convenient for new businesses to register. Together with Companies House, HMRC is streamlining the process to incorporate a new company and register for a range of taxes by May 2017; and exploring how this service can be extended so all businesses can register for tax through a single digital service, making access to their digital tax account easier.

1.17 The way that some businesses interact with HMRC is changing. 'Making Tax Digital' will transform tax administration for the compliant majority, reducing burdens for millions of businesses by abolishing the tax return altogether. Customers will be able to view an up-to-date picture of their tax affairs, providing greater certainty about tax which is due and entitlements. A personalised, digital service will be introduced with targeted guidance and tailored alerts which will make customers aware of relevant obligations, entitlements and reliefs. There will be alternatives available for those who cannot get online - they will be protected and helped.

Question 1: Do the examples set out at paragraph 1.15 provide a good starting point to define 'tax registration' when thinking about conditionality? Are there any other requirements which should be included in this definition?

2. Conditionality and the hidden economy

Why is HMRC interested in conditionality?

- 2.1 Many of those operating within the hidden economy are individuals or businesses whose entire income is unknown to HMRC. A number of those will have taken a conscious decision not to meet their tax obligations. Few businesses can exist in a vacuum. Almost all require services from other businesses, and permissions and services from government, in order to trade. HMRC's aim is to make it the norm to register for tax by making it as easy as possible to register, and as difficult as possible for non-compliant businesses to evade their responsibilities.
- 2.2 Introducing tax registration as a condition of access to some essential business services or licences would help to normalise tax registration and make it more difficult for businesses to continue trading in the hidden economy.
- 2.3 Conditionality has the potential to be most effective in influencing the behaviours of businesses that are in the process of being established, or going through a lifecycle event which creates new tax-registration requirements (such as reaching the minimum turnover for VAT registration). These are the points at which non-compliant businesses tend to enter the hidden economy by failing to register for the correct taxes.
- 2.4 The hidden economy is not a static population. It is subject to continuous change because of new entrants (that is, from those who begin trading without correctly registering for taxes or who attempt to deregister but continue trading) and because of businesses exiting the hidden economy (that is, from those who stop doing business or start paying taxes correctly). Conditionality would work to reduce the flow of new entrants to the hidden economy. It could also influence those already operating within the hidden economy, since many licences or other services required to run a business require periodic renewal.
- 2.5 Conditionality would require a method to enable a customer's tax registration status to be verified in order for them to gain access to relevant licences or services. This consultation seeks views on how this could be achieved in a way which minimises any burdens placed on businesses.
- 2.6 Conditionality would impose an upfront barrier by denying access to relevant licences or services before a business' tax registration is verified. This is likely to help to tackle non-compliance, but it would be important to develop this in a way which minimises potential burdens on compliant customers as far as possible.

2.7 An alternative approach could involve licence or service providers collecting tax-registration data from customers applying for their licences or services. This information would be shared with HMRC through existing or amended data powers. It would then be matched to other data to determine whether the licence was being used for an unregistered business. This would not prevent the licence or service being granted in the first place, and it could also create some burdens for businesses (for example, through collecting and providing tax registration data to licence or service providers). These would need to be mitigated as far as possible. This would be a “respond” intervention: rather than promoting good compliance and preventing non-compliance, this would require HMRC to pursue potential unregistered businesses.

2.8 HMRC believes that conditionality could be an effective way to tackle hidden-economy activity, but would also aim to assess the value of other possible approaches such as the one outlined in the above paragraph.

Question 2: What is your view on HMRC’s assessment of how conditionality could tackle the hidden economy?

Question 3: Do you agree that conditionality could promote a cultural norm of tax registration?

Case study: Conditionality in a non-tax context

The Home Office has assessed that a high proportion of drivers of taxis and private hire vehicles are self-employed and, therefore, not subject to existing right to work checks undertaken by employers. This leaves scope for this sector to be exploited by those who intend to work illegally.

Measures in the Immigration Act 2016 make immigration checks compulsory and embed immigration safeguards into the existing licensing regimes. Whilst many licensing authorities currently have regard to someone’s immigration status as part of their application processes, the Act will ensure that they all do, and that a licence is not issued to someone who does not have the right to live and work in the UK.

3. Principles of conditionality

Criteria for applying conditionality to licences or services

3.1 HMRC's aim is to:

- maximise the impact of conditionality on tackling the hidden economy; and,
- mitigate potential burdens on compliant businesses and third parties.

3.2 To help achieve this, HMRC's approach to applying conditionality to licences or services should be guided by the following general principles:

- a. **Prioritise high-risk sectors:** identify sectors that are disproportionately affected by the hidden economy or give rise to a large amount of self-reporting for tax purposes.
- b. **Minimise new requirements on customers and service providers:** identify licences, services or sectors where there are existing checks, and align with these where possible.
- c. **Target conditionality on gatekeepers:** target measures on providers of essential business services to ensure the greatest impact.
- d. **Reach large numbers of businesses in the hidden economy:** identify licences or services which reach a significant number of businesses operating in the hidden economy.
- e. **Seek wider benefits:** identify ways in which conditionality could have wider benefits for businesses or third parties.

Question 4: Do you agree with the principles set out at paragraph 3.2? Are there any additional or alternative principles which should apply?

Applying tax registration conditions to public sector licences

3.3 There is potential for conditionality to be applied to a range of licences which are needed to do business in particular sectors, such as those issued by public or professional bodies.

3.4 For example, tax registration could be made a condition of access to licences such as those issued by local authorities for private hire vehicles, trading, scrap metal, environmental health, planning, or property lettings. It could also include licences issued by other government departments or by trade and representative bodies for specific sectors.

3.5 Conditionality could be applied to some of these licences in a targeted way, allowing HMRC to prioritise those sectors or areas of business which are affected by the hidden economy. It could also help HMRC to focus upon sectors where we know, for example, that there is a lot of self-employment or sub-contracting which would lead to a large amount of self-reporting for tax purposes. This would help to prioritise high-risk sectors (principle a).

- 3.6 HMRC would also aim to identify licences which already have relevant application criteria. For example, a number of licences are subject to a fit-and-proper person or due diligence test upfront. Applying conditionality to some of these licences could help to reach a defined population quickly and to avoid potential burdens associated with new checks (reflecting principle b).
- 3.7 Conditionality could also be applied to licences which reach a fairly significant number of businesses operating in the hidden economy. This could include licences issued by public bodies, as well as those issued by professional service providers or representative bodies. This approach would reflect principle d, but would require further work to develop a more detailed understanding of how widely different licences are used by businesses that aren't registered for tax.
- 3.8 Applying tax-registration to selective public sector licences (and potentially some licences issued by professional or representative bodies) could be an effective way to implement conditionality in targeted manner. It could allow a focus upon sectors or services which are affected by the hidden economy, reaching a fairly good range of these businesses in a way which avoids placing large burdens upon third parties and customers. Since most licences are issued for particular sectors or defined areas of business, this might not reach as many of those businesses operating in the hidden economy as some alternative options which are described in the below paragraphs.
- 3.9 These advantages must also be weighed against the risk of driving more businesses into the hidden economy and away from the regulation and protection of a licensing regime.

Question 5: What are your views of the merits or drawbacks of applying tax-registration conditions to public sector licences, such as those described in this chapter?

Question 6: Which public sector licences should HMRC consider in developing policy proposals for conditionality?

Question 7: Can you describe how applying conditionality to public sector licences might impact upon compliant business, and how might HMRC avoid placing burdens upon those businesses? Please provide details of both the one-off and ongoing costs.

Applying conditionality to business services

- 3.10 An alternative way to introduce conditionality would involve making tax registration a condition of access to businesses services. This could be through voluntary arrangements with the service provider or through regulation.
- 3.11 Even hidden economy businesses have need of essential business services. These could include business insurance services, business bank accounts, rental of premises, loans, merchant acquirer accounts or accounts with suppliers or utilities. One key benefit of applying conditionality to some business services would be the potential to reach a large number of businesses, through selecting services which are an important part of doing business. This could narrow opportunities for businesses to operate in the hidden economy by focusing on essential services and targeting large numbers of hidden-economy businesses (principles c and d).
- 3.12 Many business services require checks to be in place in order to verify an applicant's identity and creditworthiness. Conditions on tax registration could be introduced as part of these checks and, if done correctly, this could avoid delays or other burdens for businesses wishing to use these services. This may help to avoid placing extensive new requirements on businesses (principle b), but it would, potentially affect a wider range of compliant businesses. HMRC is keen to explore further how this approach could work in a way which does not obstruct or delay businesses' access to these services.
- 3.13 Applying tax conditionality to some business services may have wider benefits for the providers of those services. For example, it could help them to identify risks involved in offering these services to specific customers or help them to assure their own supply chains. Many compliant businesses worry about unfair competition from those who don't pay the tax they owe and might welcome opportunities to ensure that they don't offer services to businesses operating in the hidden economy. This approach, therefore, may provide some wider benefits (principle e).
- 3.14 However, there could also be risks to this approach. If non-compliant business were deterred by new tax registration requirements applying to business services, they may decide not to use those services at all. This could have the effect of pushing them further into the hidden economy.
- 3.15 Applying conditionality to some business services could, therefore, be a good way to reach a large number of those operating in the hidden economy. It may also have wider benefits but, equally, it could carry risks which would need to be explored further. This approach would also affect a broader range of compliant businesses, and it would be very important to understand and mitigate any potential impacts upon these customers.

Question 8: What are your views of the merits or drawbacks of applying conditionality to business services?

Question 9: Which services or sectors should HMRC consider in developing policy proposals for business services conditionality?

Question 10: Can you describe how applying conditionality to business services might impact upon compliant business, and how might potential burdens upon those businesses be avoided? Please provide details of the expected one-off and ongoing costs.

4. Demonstrating tax registration

4.1 Conditionality would require a method to verify a customer's tax registration status in order for them to gain access to relevant licences or services. This should:

- a) **Be simple and easy to use to mitigate potential burdens upon businesses;**
- b) **Ensure customer information is secure and protected; and,**
- c) **Ensure customers can verify their tax registration status with a high degree of accuracy.**

4.2 **Principle a)** reflects that businesses should have a quick and easy way to demonstrate their tax registration status. The aim in delivering conditionality is to promote compliance and prevent non-compliance simply through ensuring more businesses are registered for the taxes they owe. HMRC would not aim to ensure that customers are fully tax compliant before access to licences or services could be granted. Developing a simple, quick and easy way to demonstrate a business' tax registration status is likely to be the best way to achieve this aim.

4.3 **Principle b)** HMRC has a statutory duty of confidentiality which it takes very seriously. This means it cannot disclose information about customers except in specific circumstances. This also explains why HMRC takes its responsibility for data security extremely seriously, and the secure handling of taxpayer data is fundamental to the way in which it operates. The processes and infrastructure used to move and store data sets are kept under constant review. Any new processes to support conditionality would need to ensure customer information is handled securely and appropriately at all times.

4.4 Measures to support conditionality must also strike a suitable balance between the privacy of customers and the risks posed to the tax system by the hidden economy. The importance of customer privacy would be a key consideration in the development of any process to verify customers' tax registration status – particularly if this involved changes to the way customer information is handled by HMRC or third-party licence or service providers.

4.5 **Principle c)** reflects that any method to verify a customer's tax registration status must be accurate. This would apply to any information produced about customers in order to verify their tax registration status, and to the ways in which third party licence or service providers would verify this information.

Question 11: Do you agree that these principles should underpin any method for demonstrating tax registration? Are there any additional or alternative principles which should apply?

Customer verification: case studies

4.6 Many organisations already run processes for verifying customer compliance or registration. In some cases, these processes are used to demonstrate customers' eligibility to access licences or services. Some examples are provided in the following case studies:

Case study one: credit checks

A number of companies provide credit checks to providers of financial and other services. This helps those service providers to identify whether people applying for their services have any history of financial mismanagement.

The process of carrying out credit checks may involve information about applicants being matched against a range of public and private databases.

This enables an automated assessment of applicants' financial backgrounds to be generated and provided to the service provider.

Case study two: Driving Licence 'check codes'

A service on the Gov.UK website allows drivers to create a driving licence 'check code' in order to share their driving records with a third party, for example a car hire company.

With appropriate consent, a third party can use this service to check a driver's driving licence information. The information that can be accessed includes the vehicles they can drive, penalty points, or disqualifications.

The 'check code' is valid for 21 days and can only be used once. Another code is needed in order to carry out a further check.

Case study three: Money Laundering – customer due diligence

Businesses which are subject to the Money Laundering Regulations are required to conduct due diligence checks in order to verify that their customers are who they say they are. In practice this means obtaining a customer's name, photograph (on an official document) and residential address or date of birth.

Businesses have a choice over the way in which they verify their customers' identity. This can include the use of government issued documents like passports or utility bills, bank statements or other official documents. Other sources of customer information include the electoral register and information held by credit reference agencies.

Question 12: Do these case studies highlight any relevant lessons for HMRC in developing a method for demonstrating tax compliance? Are there any particular risks or pitfalls to be avoided?

5. Other issues

- 5.1 Beyond the principles discussed in previous chapters, there are other issues which HMRC believes should be considered as part of any policy to introduce conditionality. Some of these are set out below.

Access to licences or services when tax registration is not required

- 5.2 Conditionality would place tax registration requirements upon individuals or businesses wishing to access licences or services which are needed in order to trade. However, HMRC recognises that some businesses may wish to apply for licences or services before they begin trading.
- 5.3 Similarly, although Making Tax Digital will change the way in which businesses will report and pay tax, some elements of the tax framework (for example, the requirement to register for Income Tax Self Assessment) do not currently require registration until after an individual or business begins generating income.
- 5.4 Depending upon the preferred delivery options for conditionality these issues could be addressed in different ways, for example by introducing ‘grace periods’ where necessary in which some businesses can access licences or services before tax registration requirements are introduced.

Question 13: How should HMRC or those who grant access to licences or services deal with cases in which tax registration is not yet available (for example, those who are applying for a licence in advance of setting up their business)?

How conditionality might impact upon different groups – small businesses

- 5.5 A key aim of conditionality is to tackle the unfair business advantages which are often claimed against compliant businesses by those operating within the hidden economy.
- 5.6 As described in previous chapters, a central challenge to be addressed in developing any policy on conditionality is the extent to which it may place requirements on compliant businesses (and how to limit these as far as possible). HMRC would also be keen to understand how conditionality may impact different business sectors, including small businesses.

Question 14: Are there any specific impacts on small and micro businesses to be considered? If so, please provide details of the anticipated one-off and on-going costs and burdens. How might any negative impacts be mitigated?

6. Summary of impacts

6.1 HMRC acknowledges that conditionality could impose some new requirements upon businesses, including the majority of businesses who are compliant with their tax obligations. HMRC will seek to understand and mitigate as far as possible any adverse costs and impacts.

Question 15: Unless already covered in your responses to other questions within this document, please explain how your business would be impacted by this proposal, including additional administrative burdens and costs?

Exchequer impact (£m)	2016 -17	2017 -18	2018-19	2019 -20	2020 - 2021
	The Exchequer Impact is not quantifiable at this stage. The final costing will be subject to scrutiny by the Office for Budget Responsibility.				
Economic impact	This measure is not expected to have any significant economic impacts.				
Impact on individuals, households and families	This consultation does not propose firm policy measures so it is not possible to quantify impacts at this stage. Any subsequent measures on conditionality would apply to businesses registering for tax. Therefore the measure would not be expected to have an impact on individuals, households, or families.				
Equalities impacts	This consultation does not propose firm policy measures so it is not possible to quantify impacts at this stage. However, HMRC has considered the equalities impact and it is not expected that this measure would have a negative impact on any equality group.				
Impact on businesses and Civil Society Organisations	<p>This consultation does not propose firm policy measures so it is not possible to quantify impacts at this stage. If the principles outlined in this consultation were developed further, a number of compliant businesses will be affected by this proposal. Businesses will incur one-off costs of familiarisation with the new rules and of tax registration. Ongoing costs are likely to include processes to evidence tax registration status. The number of businesses affected and impacts on them will be reviewed in light of consultation responses.</p> <p>Small and micro business assessment The number of small and micro businesses affected and any additional impacts on them will be explored as part of the consultation.</p>				

<p>Impact on HMRC or other public sector delivery organisations</p>	<p>This consultation does not propose firm policy measures so it is not possible to quantify impacts at this stage. If the principles outlined in this consultation were developed further there may be impacts upon HMRC in developing a method to verify customers' tax registration status. Other public sector delivery organisations would be affected if new requirements on tax registration were introduced for licences which they issue.</p> <p>Impacts on HMRC or other public sector delivery organisations will be reviewed in light of the consultation responses.</p>
<p>Other impacts</p>	<p>Other impacts have been considered and none have been identified. HMRC seeks views from respondents as part of this consultation on any other potential impacts of this proposal.</p>

7. Summary of Consultation Questions

Question 1: Do the examples set out at paragraph 1.15 provide a good starting point to define ‘tax registration’ when thinking about conditionality? Are there any other requirements which should be included in this definition?

Question 2: What is your view on HMRC’s assessment of how conditionality could tackle the hidden economy?

Question 3: Do you agree that there could be behavioural benefits to conditionality through promoting tax registration as normal behaviour for businesses?

Question 4: Do you agree with the principles set out at paragraph 3.2? Are there any additional or alternative principles which should apply?

Question 5: What are your views of the merits or drawbacks of applying tax-registration conditions to public sector licences, such as those described in this chapter?

Question 6: Which public sector licences should HMRC consider in developing policy proposals for conditionality?

Question 7: Can you describe how applying conditionality to public sector licences might impact upon compliant business, and how might HMRC avoid placing burdens upon those businesses? Please provide details of both the one-off and ongoing costs.

Question 8: What are your views of the merits or drawbacks of applying conditionality to business services?

Question 9: Which services or sectors should HMRC consider in developing policy proposals for business services conditionality?

Question 10: Can you describe how applying conditionality to business services might impact upon compliant business, and how might we avoid placing burdens upon those businesses? Please provide details of the expected one-off and ongoing costs.

Question 11: Do you agree that these principles should underpin any method for demonstrating tax registration? Are there any additional or alternative principles which should apply?

Question 12: Do these case studies highlight any relevant lessons for HMRC in developing a method for demonstrating tax compliance? Are there any particular risks or pitfalls to be avoided?

Question 13: How should HMRC or those who grant access to licences or services deal with cases in which tax registration is not yet available (for example those who are applying for a licence in advance of setting up their business)?

Question 14: Are there any specific impacts on small and micro businesses to be considered? If so, please provide details of the anticipated one-off and on-going costs and burdens. How might any negative impacts be mitigated?

Question 15: Unless already covered in your responses to other questions within this document, please tell us about how your business would be impacted by this proposal, including additional administrative burdens and costs?

8. The consultation process: How to respond

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 7.

Responses should be sent by 21st October 2016, by e-mail to isbc.compliancepolicy@hmrc.gsi.gov.uk or by post to:

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Telephone enquiries 03000 555 221 (from a text phone prefix this number with 18001)

Please do not send consultation responses to the Consultation Coordinator (named overleaf).

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

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 1998 (DPA) 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 (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

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

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

John Pay, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

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