



HM Revenue
& Customs

Extension of the existing security deposit legislation to include CT and CIS deductions

Consultation document

Publication date: 13 March 2018

Closing date for comments: 8 June 2018

Subject of this consultation:	Extending the scope of the existing security deposit regime to include corporation tax (CT) and construction industry scheme (CIS) deductions.
Scope of this consultation:	The government announced at Autumn Budget 2017 that it will introduce legislation in Finance Bill 2018-19 to extend the scope of the existing security deposits legislation to include corporation tax and CIS deductions, with effect from April 2019. This consultation invites comment on proposals for implementing these changes.
Who should read this:	This consultation is open to everyone. In particular, the government welcomes comments from those who will be affected by these changes, including businesses, CIS contractors and subcontractors, advisors and representative bodies.
Duration:	The consultation runs for 12 weeks, starting on 13 March 2018 and ending on 8 June 2018.
Lead official:	Alison Gardiner and Jessica Moore, HM Revenue and 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 consultationssecurities.taps@hmrc.gsi.gov.uk or by post to: HMRC - Tax Administration Policy & Strategy, 6th Floor, 10 South Colonnade, Canary Wharf, London E14 4PU. For queries over the phone, please call Alison Gardiner on 03000 586054.
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 along with draft legislation later this year.
Getting to this stage:	At Autumn Budget 2017, the government announced that it would extend existing security deposit legislation to include corporation tax and CIS deductions and consult on the most effective means of introducing this change. It also announced that it would be looking more widely at options for tackling those who deliberately abuse the insolvency regime to avoid or evade their tax liabilities, including through the use of phoenixism. A separate discussion paper ' <i>Tax Abuse and Insolvency: A Discussion Document</i> ' will be published in due course, which will seek views on how to tackle the small minority of taxpayers who abuse the insolvency regime in this way. Extending the current securities provisions to CT and CIS complements that measure as it strengthens an existing tool for protecting future revenues where there is a proven history of contrived insolvency.
Previous engagement:	This is the first public consultation on the issue by HMRC.

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On request this document can be produced in Welsh and alternate formats including large print, audio and Braille formats

1. Introduction

Background

- 1.1. At Autumn Budget 2017, the government announced that it will extend the scope of the existing security deposits regime to include Corporation Tax (CT) and Construction Industry Scheme (CIS) deductions. This measure is a proportionate and targeted extension of existing powers, to strengthen HMRC's ability to deal effectively with defaulters that pose a serious risk to the revenue. HMRC will also continue to consider further means of tackling contrived behaviour by the dishonest minority.
- 1.2. Legislation will be introduced in Finance Bill 2018-19 with effect from April 2019.
- 1.3. This consultation sets out how HMRC proposes to implement this change. We are seeking views from interested parties, particularly those who will be affected by these changes, including businesses, CIS contractors and subcontractors, advisors and representative bodies. We are doing this to ensure that this change is implemented in the most effective way and that the legislation is targeted and appropriate safeguards are in place.

Why is the government making this change?

- 1.4. The vast majority of businesses meet their tax obligations and pay the right amount of tax at the right time. However, there is a small minority that choose not to pay the tax that they owe or seek to unfairly reduce their tax bill. In these cases, HMRC has a duty to take action to ensure that these businesses don't unfairly deny the Exchequer the money needed to deliver public services or gain an unfair advantage over the compliant majority.
- 1.5. One of the compliance tools currently available to HMRC is the power to require high-risk businesses to provide an upfront security deposit, where it believes that there is a serious risk to the revenue. Security 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. In addition, there must either have been failure to comply with return filing and payment obligations, or the personnel actively involved in a current business must have been actively involved in another business that failed to pay the taxes that were due.
- 1.6. Currently these powers only apply to certain taxes and duties, but the non-compliant behaviours which trigger security action will typically be found across other aspects of these businesses' tax affairs. This change will address gaps in the coverage of the existing securities provisions and strengthen HMRC's ability to deal effectively with those defaulters that pose a serious risk to the revenue.
- 1.7. Alongside this change, HMRC will publish a separate discussion paper *Tax Abuse and Insolvency: A Discussion Document*, which will seek views on how

to tackle the small minority of taxpayers who abuse the insolvency regime in trying to avoid or evade their tax liabilities through the use of companies or other limited liability entities. This document will look more widely at the range of behaviours exhibited by the people who drive insolvencies in cases of tax avoidance or tax evasion, as well as phoenixism, and explores potential solutions.

- 1.8. The measure to extend securities legislation will provide a downstream response to established patterns of non-compliance with a criminal sanction for failure to comply with the securities rules. By contrast, *Tax Abuse and Insolvency* will consider what measures might be used to ensure that such established patterns of behaviour do not occur in the first place.
- 1.9. Businesses that experience genuine difficulties are not the target of either of these measures. Instead, these measures target businesses who won't pay, rather than can't pay, the tax that is due. HMRC is committed to helping those who want to pay on time and for those who are struggling HMRC may provide a range of flexibilities, including time to pay arrangements.

Existing powers to require security

- 1.10. HMRC currently has powers to require a security deposit in respect of VAT, Pay As You Earn (PAYE) and National Insurance Contributions (NICs), Landfill Tax, Aggregates Levy, Climate Change Levy, Insurance Premium Tax and certain Gambling Duties.
- 1.11. The legislative provisions for taxes in scope of the securities regime vary slightly to reflect the design of the individual tax, but in all cases the power to require a security is framed in broad terms and applies where HMRC considers it necessary for the protection of the revenue. A criminal sanction may apply if a person doesn't comply with a requirement to provide a security and the courts may impose an unlimited fine¹. Safeguards are in place which allow the taxpayer to seek a review of HMRC's decision to require a security or the amount required, and a taxpayer may also appeal against the issue of a notice requiring them to provide a security deposit to an independent tribunal.
- 1.12. The broad nature of these powers, and the criminal sanction attached to non-payment of a security when required, mean that securities are only appropriate in a small minority of cases and must be used in a very targeted way. Strict governance processes are in place to determine whether there is sufficient evidence that security intervention is necessary, and, if so, whether it would be proportionate and effective in the individual circumstances. Where there is an outstanding debt, HMRC will also explore alternatives, including time to pay arrangements, at the point that it considers securities intervention. By assessing cases on an individual basis, HMRC is confident that only the intended individuals and businesses who are choosing not to pay the tax they

¹ Level 5 on the Standard Scale. For offences committed on or after 13 March 2015, the level 5 maximum is unlimited. Section 37(2), Part 3 of the Criminal Justice Act 1982

owe will be required to provide a security, whilst those who are genuinely struggling to pay are supported.

Current use of securities

- 1.13. Currently a very small proportion of businesses are considered for securities action each year. Typically there are around 4,500² securities cases each year; the latest official business population statistics show there were 5.7m private sector businesses in the UK at the start of 2017³.
- 1.14. The cases where a security may be considered as an option fall broadly into two categories:
- a) Non-compliant businesses, for example where there is a history of persistent late filing or payment, or a failure to pay a large tax liability on time, and the business has not requested time to pay or does not respond to contact from HMRC to discuss possible ways of managing debt. In 2016/17 around 85% of all securities cases featured this type of behaviour.
 - b) Cases of 'phoenixism' where there is evidence that a person responsible for the operation of a current business was actively involved with a previous business or businesses that ceased to trade leaving behind tax debts. Indicators of phoenixism might include, for example, a business carrying out the same trading activities, from the same address, with the same personnel and clients as the previous failed business, with trading recommencing very shortly after the closure of the previous business. Around 15% of securities cases fall into this category.
- 1.15. HMRC has found that security intervention is highly effective in driving a change in customer behaviour in the case of non-compliant businesses. In these cases it is frequently unnecessary to issue a formal notice to provide a security. Initial contact is made with a securities warning letter, which encourages businesses to work with HMRC to resolve any issues and to settle outstanding tax debts. A significant majority of non-compliant businesses respond positively to this initial letter, and pay all outstanding tax due so the issue of a formal notice is not required.
- 1.16. In total, of the 4,500 cases considered for security intervention each year only around 1,100 lead to the issue of a formal notice of requirement to provide a security. Most businesses that receive a formal security notice comply with the requirement, protecting future revenue. Of the remainder, only a very small proportion proceed to prosecution for non-payment of the security. In 2016/17 there were 135 such cases.

² The figures in this section are based on HMRC internal data, unless stated otherwise.

³ Department for Business, Energy and Industrial Strategy, Business population estimates 2017.

2. Extending Securities to Corporation Tax and CIS deductions

- 2.1. As set out in Chapter 1, this measure will extend the existing security deposit regime to CT and CIS deductions.
- 2.2. The concept of seeking a security is not unusual outside government and it is common practice to require a security or guarantee when particular transactions are undertaken. For example, the vast majority of landlords require payment of rent upfront, together with a damages or security deposit. Experience from the existing securities regime has shown that, when used in a carefully targeted and proportionate manner, securities can be an effective means of moving non-compliant businesses into compliance and protecting future revenue in event of non-payment of taxes.
- 2.3. The government believes that, where customer behaviour triggers security interventions and also poses serious risks to CT and CIS revenues, it is right to take action, and the requirement for a security represents an effective and proportionate response. However, it also recognises the serious nature of this measure and the need for effective safeguards and strict governance.
- 2.4. HMRC estimates that extending security provisions to CT and CIS will result in an additional 400–500 cases in scope for securities action each year.
- 2.5. It is assumed that the split between non-compliant business cases and phoenixism cases will broadly mirror the existing split, and that any warning letters will have the same behavioural effects as at present. The number of cases where a formal security request will be issued is therefore expected to be significantly lower than the number of new cases, and of these only a minority are likely to be referred for prosecution.
- 2.6. It is intended that securities for CT and CIS will follow, as far as possible, the existing regime and the power to require a security will be framed in similarly broad terms. CIS corresponds quite closely with PAYE in terms of its structure and the frequency of filing and payment obligations, and will fit readily within the existing securities processes. However, the profits-based nature of CT and its calculation by reference to accounting periods that are up to, and most frequently, a year long, raises new issues which may necessitate a more tailored approach.
- 2.7. As at present, CT and CIS securities will be targeted specifically at high risk businesses that fail to comply with their tax obligations, or where those behind the business are connected with previous business failure that resulted in loss of tax. They will not be relevant where a taxpayer has agreed and is complying with a time to pay arrangement, or if there are other factors that make securities inappropriate, such as clear evidence of an inability to pay, or if the business

can show that it is experiencing financial difficulties that are a 'one-off', or if insolvency action is more appropriate than security action.

- 2.8. All security interventions will continue to be considered on a case by case basis, having regard to all available evidence, and will be administered by dedicated securities teams, which operate within strict governance arrangements.
- 2.9. HMRC's experience from the existing securities regime indicates that the possibility of a criminal sanction plays an important role in changing taxpayer behaviour and the effectiveness of securities relies on the existence of a criminal offence. We therefore intend that criminal penalties will exist for failing to provide a CT or CIS security when required. Chapters 3 and 4 discuss how these could be framed.
- 2.10. The government recognises that extending powers to require security should come with the necessary safeguards to protect the taxpayer. The current securities legislation has built-in procedural and legislative safeguards which include the right to an independent review of the decision to require a security or the amount, and a right of appeal against the issue of a notice requiring them to provide a security deposit to an independent tribunal. It is intended that these rights of review and appeal will also apply to CT and CIS to ensure that HMRC acts reasonably and proportionately and any decision to require a security is on the basis of robust evidence.
- 2.11. Under existing powers, HMRC accepts security deposits in the form of cash, or a guarantee in the form of a performance bond issued by a financial institution. Our current view is that the same options will apply to CT and CIS securities, but we welcome views on whether there are any further forms of security which might be suitable.

<p>Question 1 – do you think that there are any further forms of security that could be provided?</p>
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- 2.12. As the overarching principle is that the need for a security is for the protection of the revenue HMRC will always consider on a case by case basis whether a notice requiring security is necessary with reference to the facts of the case and individual circumstances. For this reason it is not practical for legislation to set out in detail every circumstance in which use of security deposits may be appropriate and proportionate and legislation is therefore supported by guidance. HMRC will develop updated guidance to reflect the extension of securities to CT and CIS deductions.
- 2.13. We have considered whether, in view of this extension of securities, there might be a case for streamlining and consolidating securities legislation into a single provision covering all taxes and duties. However, currently we propose to retain the existing approach of legislating separately for each tax regime. We will continue to keep securities legislation under review to ensure its ongoing effectiveness. We will also look for opportunities where security deposits might

be appropriate, including whether securities may be effectively used going forward for heads of duties that are not currently in scope.

- 2.14. A summary of responses to this consultation together with draft legislation will be published later this year.

3. Securities in Corporation Tax – details of the proposal

- 3.1. This chapter looks at how we propose to implement the extension of security deposits to CT and addresses some of the new issues that the structure of CT raises.

Who may be required to provide a security?

- 3.2. CT is a tax levied on the profits made by UK-resident companies and on the profits of non-resident companies that trade in the UK through a UK permanent establishment or which carry on a trade of dealing in or developing UK land.
- 3.3. The proposal is that a security may be required of any company that falls within scope of the charge to CT where HMRC believes there is a risk to the revenue.

Question 2 – do you agree that any company within scope of the charge to CT should fall within the scope of the CT securities provision?

How will securities work in relation to corporation tax?

- 3.4. The other taxes to which securities apply have monthly or quarterly reporting and payment cycles, so the amount of tax at risk can be quantified fairly easily and any default identified quickly. For CT, the amount of tax due on a company's profits will only be established after an accounting period of up to 12 months, and the return does not need to be filed until 12 months after the end of the accounting period. For most companies, the tax is payable 9 months after the end of the period (the exceptions are large companies which come within the instalment payment regime, commonly described as 'QIPS')⁴.
- 3.5. At first sight the structure of this tax poses issues with the use of securities, given that the tax liability will only be calculated, crystallised and payable at some distance in the future. However, for the small minority of companies that seek to abuse the tax system, this structure can be deliberately exploited to escape paying tax on their profits. This gives them a financial and commercial advantage over those who abide by the rules. In these cases, the use of securities will give HMRC scope to protect the revenue at risk up front.

⁴ The QIPS regime is established under the Corporation Tax (Instalment Payments) Regulations 1998 (SI 3175/1998) and applies to "large companies" with profits exceeding £1.5m in an accounting period. From 1 April 2019 the payment dates will be accelerated under the QIPS regime for "very large companies" with profits exceeding £20m in an accounting period. In both cases the profit threshold applied to any company is divided by the number of active associated companies, if any.

Example 1

A company is set up to carry out a property development. The individuals behind the company are known to be associated with previous property companies which did not comply with their tax obligations and liquidated, defaulting on tax debt. In the early stages of the development, the company legitimately recovers substantial amounts of VAT on the costs of the development. No CT is due at this stage because the company is not making profits. When the property is sold, the individuals have a window of opportunity to extract the profits from the company and avoid paying the CT which will become due, by entering into liquidation or leaving the company dormant with no funds to settle tax liabilities.

- 3.6. In the scenario above, a requirement for an upfront security could be a proportionate response in order to address the risk of non-payment of tax. Any security intervention would only be triggered when the risk to the revenue was considered sufficient to justify a security notice.
- 3.7. As with existing securities, a CT security may also be appropriate where a company has a history of non-compliance with filing and payment obligations and won't pay rather than can't pay its tax debts.

Example 2

A service company has nominal share capital and few tangible assets but generates significant VAT liabilities. The company has already been required to provide a VAT security because it has repeatedly failed to pay VAT due, and late payment penalties have had no effect in changing its behaviour. The company also has a history of failing to pay its CT on time, and of not filing its CT return or submitting accounts to Companies House by the due dates.

- 3.8. In this scenario the behaviours and risks which have triggered the VAT security are also manifested in relation to the company's CT liabilities and a further security requirement in respect of CT may be a proportionate response.

Assessing the amount of security

- 3.9. Under the current security regime, the amount of security that HMRC can require is not restricted in law, but must be reasonable and in proportion to the risk to the revenue. In practice, HMRC calculates the amount by estimating the future revenue at risk if a person should fail to make and/or pay a return. This is added to the amount of further revenue that would be at risk during the time that it would take for HMRC to wind up the business. If there is an outstanding debt when the security is required, this can also be added to the amount of the security. Where possible, the revenue at risk is calculated by reference to previous return and payment information. Where this is not available, it may be necessary to estimate by reference to other information such as projected turnover, or comparison with general practices of similar businesses.

- 3.10. When assessing the amount of future revenue at risk, a company's previous CT payment history may be helpful. However, it is important to note that previous profitability is not a direct indicator of future profits. Also, in the case of new companies, they may not have been in existence long enough to make any CT returns. It follows that HMRC will generally need to draw on a wider range of information to build up a picture of the company's activity, to estimate the potential tax liability and revenue at risk.
- 3.11. It is envisaged that wherever possible HMRC would engage with the company to seek information to inform this calculation. Information provided by the company could be supplemented by information from wider sources including, for example, the company's VAT and PAYE records, Companies House information (if accounts have previously been filed), or HMRC's knowledge of commercial practice and business models in the particular sector in which the company is operating.
- 3.12. In the event that the company does not cooperate with a request for information, it is proposed that HMRC will estimate the tax at risk from any other available information sources. In all circumstances the company will have the right to request HMRC to undertake an independent review of the amount of security required, and will be able to put forward further evidence in support of their argument. We also intend that if a company pays a security, but their circumstances or projected profits for an accounting period subsequently change, they will be able to request a review of the amount of the security and the continuing need for HMRC to hold it at any time.

Question 3 – do you agree that it is reasonable to estimate the amount of CT revenue at risk by reference to taxpayer provided information and wider sources of relevant information, including HMRC data, or are there other ways in which the amount of security could be calculated?

- 3.13. Where taxes have a monthly or quarterly cycle of returns and payments, any default can be identified fairly quickly. This means that, where appropriate, a securities intervention may be made before the amount of tax at risk becomes so high that it's not possible for the business to pay the amount of security necessary to protect the revenue. CT accounting periods are typically 12 months long and so to be effective the timing and amount of any security requirement would need to be sensitive to the business's circumstances and ability to pay.
- 3.14. To mitigate the impact on the company of being required to pay an annual tax liability in advance, we think that a staged approach, in which the company is allowed to pay the security in instalments, could be appropriate in some circumstances. HMRC would be required to consider the risk to the revenue at each payment point. Alternatively a series of smaller separate security requirements could be issued at intervals. Again, this would require the risks and justification for the security to be evaluated at each stage.

Question 4 – do you agree that allowing payment of a security in instalments or using a series of securities staged over a longer period could offer a way of balancing the protection of the revenue at risk with reducing the financial impact on the company? Are there any other approaches that you consider would be helpful in establishing an appropriate balance?

Consequence of not paying a security

- 3.15. As set out in Chapter 2, HMRC has concluded that a criminal penalty is necessary for CT securities to be effective in tackling determined rule breakers. The existing securities provisions offer two slightly different models for the offence associated with failure to provide a security when required. For VAT and environmental taxes, the offence is conditional upon the business continuing to make taxable supplies without having complied with a notice to provide a security. For PAYE and NICS, there is a simple offence of failing to provide a security when required.
- 3.16. As CT is a profits based tax, due by reference to accounting periods rather than particular supplies or remunerations, we consider that it does not lend itself to the approach adopted for VAT. We therefore propose that an offence will occur when the company fails to provide security when required, but we welcome views on whether there is any alternative approach that might be suitable, for example basing the offence on continuing a potentially taxable activity once a security has been requested.

Question 5 – do you think that there should be a simple offence of failing to provide a security when required, or is there an alternative approach that would be suitable for CT?

Appeals and Reviews

- 3.17. Chapter 2 explained that the rights of review and appeal which exist within the existing securities legislation will also apply in respect of decisions relating to CT and CIS securities. We recognise that the profits-based nature of CT and its structure raise some new issues and in view of this we would welcome views on whether there are any additional safeguards that may be required or factors that should be taken into account.

Question 6 – do the proposed safeguards strike the right balance between protecting taxpayers and tackling the behaviour of deliberate non-compliance?

4. Securities in CIS deductions – details of the proposals

- 4.1. This chapter looks at how we propose to implement the extension of security deposits for CIS deductions.

The Construction Industry Scheme

- 4.2. Construction is an industry that traditionally attracts a large, highly mobile workforce which leads to difficulties in securing appropriate payments of tax and NICs. The CIS was introduced to address potential non-compliance and to encourage and enable the workforce to fulfil their tax obligations.
- 4.3. Where CIS applies, the contractor is required to be registered, to verify the CIS status of each of its sub-contractors, to withhold amounts in respect of tax from each contract payment and to make monthly returns to HMRC of its payments to subcontractors. In many cases a business may be both a contractor and a subcontractor within a supply chain.
- 4.4. Broadly, CIS applies to all payments made under a “construction contract” – a contract that relates to construction operations, made by a contractor to a subcontractor. CIS does not apply to any payments made to employees, as these payments are covered by the PAYE system.
- 4.5. It is proposed that a security may be required from any person that is required to register as a contractor under the Construction Industry Scheme where HMRC believes there is a risk to the revenue.

Question 7 – do you think that the proposed scope of CIS securities targets the measure appropriately?

How will securities work in CIS?

- 4.6. Fraud in the construction sector labour supply chains presents a significant risk to the Exchequer and the government is committed to tackling this. The power to request a security deposit in respect of CIS deductions will strengthen HMRC’s ability to respond effectively where there is a significant revenue risk or suspicion of fraudulent non-payment of CIS by contractors. A scenario in which securities might be effectively applied is set out below.

Example 3

Shell companies can be set up to serve as a vehicle for various business transactions without having any significant assets or operations. These companies can be set up within construction industry supply chains with the sole intention of making CIS deductions from subcontractors which are never paid over to HMRC. When challenged by HMRC, the shell company often goes missing or defaults and a new company is set up to continue the fraud.

Consequence of not paying a security

- 4.7. As explained in Chapter 3 the existing securities provisions offer two slightly different models for the offence associated with failure to pay a security. We consider that there are advantages to the VAT/indirect tax model if there is an appropriate condition to which the offence can be linked as it is directed towards stopping the amount of revenue at risk from increasing, and a person can only make themselves liable to prosecution through positive action rather than default.
- 4.8. Given the similarities between CIS and PAYE there is an argument that the offence for not complying with a security notice should mirror that for PAYE and NICs. However, in practice there may already be variances because businesses which have been required to provide securities for PAYE may also fall within the scope of security action for VAT or other taxes.
- 4.9. We propose that for CIS it should be an offence for a contractor to make a payment under a construction contract to a subcontractor when they have been required to give security and have not done so. To mitigate the impact on legitimate subcontractors who may be awaiting payment for work already performed, this would apply only in respect of work carried out after the requirement to give security had been notified.

Question 8 – do you agree that it should be an offence for a payment to be made to a subcontractor when a requirement for a security has not been met or is there an alternative approach that would be more suitable?

5. Assessment of Impacts

HMRC's initial assessment of the impacts of this measure are set out below. A Tax Information and Impact Note will be published with draft legislation in due course.

Summary of Impacts

Exchequer impact (£m)	2018–19	2019–20	2020–21	2021–22	2022–23
	-5	+75	+135	+150	+155
Economic impact	This measure is not expected to have any significant macroeconomic impacts.				
Impact on individuals, households and families	This measure has no impact on individuals as it only affects businesses. The measure is/is not expected to impact on family formation, stability or breakdown.				
Equalities impacts	It is not anticipated that this measure will impact on groups sharing protected characteristics.				
Impact on businesses and Civil Society Organisations	This measure has no impact on compliant businesses. It will only impact on businesses who are non-compliant.				
Impact on HMRC or other public sector delivery organisations	Following this consultation, impacts upon HMRC or other public sector organisations will be determined and will depend upon the final policy design. The impact will include staff costs associated with dealing with additional securities cases and IT costs.				
Other impacts	Other impacts have been considered and none identified.				

6. Summary of Consultation Questions

Question 1 – do you think that there are any further forms of security that could be provided?

Question 2 – do you agree that any company within scope of the charge to CT should fall within the scope of the CT securities provision?

Question 3 – do you agree that it is reasonable to estimate the amount of CT revenue at risk by reference to taxpayer provided information and wider sources of relevant information, including HMRC data, or are there other ways in which the amount of security could be calculated?

Question 4 – do you agree that allowing payment in instalments or using a series of securities staged over a longer period could offer a way of balancing the protection of the revenue at risk with reducing the financial impact on the company? Are there any other approaches that you consider would be helpful in establishing an appropriate balance?

Question 5 – do you think that there should be a simple offence of failing to provide a security when required, or is there an alternative approach that would be suitable for CT?

Question 6 – do the proposed safeguards strike the right balance between protecting taxpayers and tackling the behaviour of deliberate non-compliance?

Question 7 – do you think that the proposed scope of CIS securities targets the measure appropriately?

Question 8 – do you agree that it should be an offence for a payment to be made to a subcontractor when a requirement for a security has not been met or is there an alternative approach that would be more suitable?

7. 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 2 of the process. The purpose of the consultation is to seek views on the detailed policy design and a framework for implementation of a specific proposal, rather than to seek views on alternative proposals.

How to respond

A summary of the questions in this consultation is included at chapter 6.

Responses should be sent by 8 June 2018, by e-mail to consultationssecurities.taps@hmrc.gsi.gov.uk or by post to: Alison Gardiner, HMRC - Tax Administration Policy & Strategy, 6th Floor, 10 South Colonnade, Canary Wharf, London E14 4PU.

Telephone enquiries 03000 586 054 (from a text phone prefix this number with 18001)

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

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, General Data Protection Regulation (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 & 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 General Data Protection Regulation (GDPR).

YOUR DATA

The data

We will process the following personal data:

Name / email address / postal address / phone number / job title

Purpose

The purpose for which we are processing your personal data is:

Public consultation on extension of the existing security deposit legislation to include CT and CIS deductions.

Legal basis of processing

The legal basis for processing your personal data is that the process is necessary for the exercise of a function of a Government Department.

Recipients

Your personal data will not be disclosed to third parties.

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 & Customs. The contact details for the data controller are:

HMRC
100 Parliament Street
Westminster
London
SW1A 2BQ

The contact details for the data controller's Data Protection Officer (DPO) are:

DPOHM Revenue & Customs
9th Floor, 10 South Colonnade
Canary Wharf
London E14 4PU

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.