



HM TREASURY



HM Revenue
& Customs

Tax Consultation Framework

March 2011

The Government recognises the importance of engaging fully with individuals, practitioners, businesses and other organisations in the development of tax policy. The best public engagement allows the Government to explore, develop and test new ideas to improve the tax system, and to ensure that change is well targeted and its likely impacts are understood. Better scrutiny of tax legislation, through early exposure of drafts, will help ensure that legislation is fit for purpose.

1. The Government is committed to early and continuing engagement on tax changes and to exploring new ways of broadening public engagement with development of the tax system. This goes beyond formal written consultation and includes the wide range of ways in which Government can engage with interested parties, which will vary depending on the nature of the proposal in question and the taxpayers that it will affect. The Government recognises and appreciates the time taken and effort made by interested parties in responding to consultation exercises. This Framework sets out the Government's approach to engaging with taxpayers and practitioners on changes to tax policy and legislation. It complements the Government's wider Code of Practice on formal, written consultation.
2. There are five stages to the development and implementation of tax policy:
 - 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.
3. Where possible, the Government will¹:
 - engage interested parties on changes to tax policy and legislation at each key stage of developing and implementing the policy;

¹ Subject to the exceptions set out at 8 and 9.

- make clear at what stage (or stages) the engagement is taking place so that its scope is clear;
 - carry out at least one formal, written, public consultation in areas of significant reform;
 - set out, as the policy develops, its strategy for stakeholder engagement including planned formal consultation periods, informal discussions, working groups and workshops;
 - consult, where it can, on the policy design, draft legislation and implementation of anti-avoidance and other revenue protection measures, provided this does not present additional risk to the Exchequer;
 - minimise the occasions on which it consults only on a confidential basis. Where confidential consultation has been necessary the Government will be as transparent as possible about its outcome and consult openly if pursuing the policy change further²; and
 - provide feedback which sets out the Government's response to the views received and makes clear what changes, if any, have been made to the planned approach as a result of those views.
4. At each stage of consultation, the Government will set out clearly:
- the policy objectives and any relevant broader policy context;
 - the scope of the consultation, in particular what is already decided and where there is still scope to influence the outcome;
 - its current assessment of the impacts of the proposed change and seek to engage with interested parties on this analysis. A final assessment of impacts will be published once the final policy design has been confirmed; and
 - which department and official is leading on the consultation (or specific elements for joint HMT and HMRC consultations).

² Subject to the exceptions set out at 8 and 9

5. **Informal consultation** will be as transparent as possible, consistent with the need to protect revenue. The best principles of formal consultation will be applied to informal consultation to ensure clarity of scope, impact, accessibility, and meaningful feedback. Comments will only be attributed to a representative body when it is clear that the individual consulted is commenting on behalf of that representative body. It is recognised that individuals need time to consult others before they can provide comments on behalf of a representative body. Informal consultation can run alongside formal consultation but will often be most appropriate at the earliest and latest stages of tax policy development to identify options and then to fine-tune the detailed legislation and implementation of change.
6. The Government recognises that improving the quality of tax law in the UK requires consultation on policy and scrutiny of legislation. In most cases, the Government will publish **draft tax legislation** in the following way³:
- Draft clauses for the Finance Bill will be published for scrutiny at least 3 months before the Bill is introduced to Parliament. The period for comments to be made will be at least 8 weeks.
 - Where secondary legislation gives substantive effect to a Finance Bill clause, the secondary legislation will be published in draft alongside that Finance Bill clause.
 - Other secondary legislation implementing a significant change or imposing significant new obligations and responsibilities will be published (for comment for 8 weeks) at least 3 months before that secondary legislation is laid before Parliament.
 - Any other secondary legislation will be published in draft for a 4 week consultation period unless it falls within the exceptions at paragraph 8 below or otherwise gives rise to no potential technical drafting issues.
7. **Guidance** on tax policy changes will normally be written in consultation with interested parties and published alongside the legislation: it will

³Subject to the exceptions set out at 8 and 9

always be published in good time for orderly implementation. New or revised forms relating to the tax policy change will normally be published in draft for comment before or alongside the draft guidance or draft legislation.

Exceptions

8. The Government will generally not consult on straightforward rates, allowances and threshold changes, or other minor measures; recognising, however, that even in these cases some level of consultation can often be informative. It may also adopt a different approach for revenue protection or anti-avoidance measures where following this Framework could present a risk to the Exchequer. In other circumstances where the Government decides not to consult during tax policy development it will explain the reasons for that decision.
9. There will be times when it will be necessary to deviate from this Framework. In these circumstances the Government will be as open as possible about the reasons for such deviations.

Monitoring

10. The Tax Professionals Forum will consider the Government's performance against this Framework and report on this in their regular meetings with Ministers.