



HM Revenue
& Customs

Preventing and collecting international tax debt

Discussion document

Publication date: 23 March 2021

Closing date for comments: 15 June 2021

Summary

Subject of this discussion

This document seeks views on ways to prevent the creation of international tax debt and to improve its collection.

Scope of this discussion

We would welcome views on how best to prevent international tax debt and how best to collect that which does occur.

Who should read this

We would like to hear from taxpayers, agents, representative bodies, professional bodies, businesses, education institutions and other interested parties.

Duration

12 weeks from 23 March 2021 to 15 June 2021

Lead official

Jasmin Thiara, HM Revenue & Customs

How to respond or enquire about this consultation

Please email responses to consult.nosafehavens@hmrc.gov.uk

Additional ways to be involved

HMRC welcome meetings with interested parties to discuss the issues and proposals set out in this paper.

If you are interested in meeting to discuss this work, please email consult.nosafehavens@hmrc.gov.uk.

After the discussion document

All responses will be reviewed and, subject to comments received, we may carry out formal consultation on any potential changes to legislation or procedures that are identified.

Getting to this stage

At Spring Statement 2019 the government published its offshore tax compliance strategy, No Safe Havens 2019. This strategy set out how HMRC will tailor our approach, helping taxpayers to get offshore tax right first time where possible. Where HMRC intervene, we will use an approach that is appropriate and proportionate to the tax at risk and the taxpayer's behaviour.

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1. Introduction

Definition

In this document, the term '**international tax debt**' is used to refer to a debt which has arisen because of the non-payment of UK tax, where either the taxpayer, their assets, or both, are outside of the UK.

This includes:

- UK tax resident individuals with overseas assets that generate a UK tax liability
- Individuals based overseas with a UK source tax liability
- UK tax resident individuals who have moved overseas without paying the tax owed

This document discusses civil powers only.

- 1.1 Tax debt is tax which is assessed and due but remains unpaid. It is important for the UK that tax debt, including international tax debt, should be kept to as low a level as possible and where it does occur should be collected effectively and quickly.
- 1.1 HMRC have a high success rate in collecting domestic UK tax debt. However, it is both more complex and costly to collect debt where the taxpayer, their assets or both, are based outside of the UK. Before the pandemic, collection rates for domestic tax debt were normally about 90% whereas for international tax debt collection rates were typically nearer 35%.
- 1.2 The COVID-19 pandemic has affected every aspect of our lives. This includes the financial position of individuals and businesses throughout the UK and in some cases the effect has been extremely severe.
- 1.3 HMRC have been at the heart of the Government response to COVID-19, moving rapidly to deliver financial support to businesses and workers affected by the pandemic. Our employment support schemes will continue to provide a lifeline to millions well into 2021.
- 1.4 HMRC have made many changes and clarifications to support customers and the economy during the pandemic, including implementing tax policy decisions made by Ministers. These include deferring income tax payments for Self-Assessment customers and VAT bills for UK businesses. To help customers to specifically manage debt, we introduced the Income Tax Self-Assessment *Enhanced Time to Pay* and the VAT New Payment Scheme allowing customers to pay outstanding liabilities in instalments.

- 1.5 When the country is able to move on from the pandemic, HMRC's ability to collect tax owed will be essential to secure and sustain future revenues that fund vital public services. This document looks to the future and seeks to open a debate on how to address issues which arose prior to the pandemic and are now more important than ever as we look to ensure the country's economic recovery.
- 1.6 HMRC's vision is to be a trusted, modern tax and customs department that fits in with the way our customers run their businesses and their lives, reduces the tax gap, enhances the customer experience, keeps costs for HMRC and our customers down and operates in a way that is recognised as fair. An important part of achieving this vision will be ensuring we make it easy for our customers to get tax right and hard to bend or break the rules.
- 1.7 In July 2020 the Government published its 10-year tax administration strategy titled '*Building a trusted, modern tax administration system*' which sets out some of the key reforms we will need to deliver to successfully achieve our new vision. The strategy highlights the need for the UK to have a fully digital tax system that works close to real-time and builds trust.
- 1.8 The reforms set out in the 10-year tax administration strategy will have far-reaching effects on the operation of the UK tax system as well as the future prevention and collection of debt, including international tax debt. The strategy includes commitments to extending Making Tax Digital, increasing our use of real-time information, and exploring options for the timely payment of tax, all of which will help HMRC to reduce the size of tax debt, both domestic and international.
- 1.9 At the same time, the reform of the tax administration framework, set out in the report, will help with such aspects as the registration and identification of taxpayers; important issues for the reduction of tax debt. The introduction of a single digital tax account for all taxpayers should help both the monitoring and payment of tax debt even if the taxpayer or their assets are overseas.
- 1.10 Those improvements will be developed over the course of the ten-year strategy. A call for evidence on the reform of the tax administration framework will give a broader opportunity for stakeholders to comment. This document looks to stimulate consideration and discussion which might bring earlier, incremental improvements to the prevention and collection of international tax debt.
- 1.11 Any changes which result will be implemented in a way that takes us towards becoming the trusted, modern tax and customs department we aspire to be. This includes ensuring new powers, obligations and safeguards strike the right balance between ensuring debt is prevented, or collected, while providing appropriate opportunities for taxpayers to challenge HMRC's decisions where appropriate.
- 1.12 Some taxpayers will fall into debt with HMRC because they made a mistake or did not have available funds to pay. Some taxpayers based offshore may not realise they have a UK tax debt, or do not know how to pay the debt. A small minority deliberately choose not to pay their tax on time even though they have the funds to

do so.

- 1.13 HMRC support those who try to pay their outstanding debts and those who are genuinely unable to pay. Where taxpayers cannot pay on time, repayment plans can be arranged to pay tax in instalments. HMRC will consider carefully the position of vulnerable debtors.
- 1.14 HMRC will nevertheless always act quickly to recover debts from those who deliberately choose not to pay what they owe. If necessary HMRC will look to collect debt through formal procedures. The effective collection of debt is all the more important at a time of worldwide economic difficulty when the UK, along with most other countries, is looking to rebuild its public finances.
- 1.15 HMRC would like to begin a discussion about how to:
- Prevent, as far as possible, the creation of international tax debt; and
 - Collect international tax debt in a proportionate and effective way.
- 1.16 Other countries face similar issues with international tax debt. The UK is a member of the Organisation for Economic Cooperation and Development (OECD) Forum on Tax Administration (FTA). The OECD FTA is composed of tax commissioners from 53 countries.
- 1.17 The FTA works to identify, discuss and influence global trends and develop new ideas to enhance tax administration around the world. International tax debt management is part of its current programme of work; the FTA's work acknowledges the challenges in this work, both of collecting accurate data and seeking payment effectively.
- 1.18 HMRC continue to learn from experiences in other jurisdictions and we also co-operate with many other jurisdictions to collect outstanding international tax debts. We would welcome your views on, and experience of, what has worked well in other countries.
- 1.19 This discussion document is an opportunity for all interested people to engage with HMRC early in the process of considering international tax debt. We have set out some issues which are already apparent and have included some high-level ideas to help to begin the discussion. In addition to the specific questions listed throughout this document, we would welcome your views on:
- the causes of international tax debt;
 - the possible approaches we have suggested to tackle the causes;
 - further ideas to prevent and collect international tax debt; and
 - how safeguards could be designed to help to ensure taxpayers can challenge HMRC's decisions, where appropriate.
- 1.20 As some of the issues identified are not unique to debtors who are based outside of the UK, parts of this document may also be relevant to the collection of domestic UK tax debt.

2. Understanding international tax debt

The value of international debt

- 2.1 International tax debt is more complex to collect than domestic tax debt. Monitoring and collecting it is made more difficult by the fact that the taxpayer and/or their assets are in another jurisdiction.
- 2.2 Confirming the underlying cause of international tax debt (or any details necessary to a particular case) is also more difficult, because direct contact with the debtor is not always possible. The taxpayer might be an internationally-mobile individual or a company with no physical presence in the UK. The fact that a debt is an international debt might not be clear initially or it may be caused simply by the emigration of an individual.
- 2.3 These complexities have been recognised by the OECD FTA, which has noted that increasing globalisation and international mobility have made it harder for revenue bodies to determine correct tax liabilities accurately and have made it more difficult to collect the tax.¹
- 2.4 For HMRC, difficulties can include establishing the residency of the taxpayer, keeping track of taxpayers who were resident but have now emigrated, and identifying debt that relates to an asset or income offshore.
- 2.5 Despite these difficulties, HMRC were able to assess the amount of international tax debt owed by taxpayers based abroad. We estimated the value at around £1 billion in January 2020. International debt was about 5% of the total tax debt (£20 billion in the period before the COVID-19 pandemic) owed to HMRC.
- 2.6 The pandemic has had a significant effect on tax debt but this is not yet reflected in this data. International and domestic debt may have been affected differently.
- 2.7 HMRC have estimated that Value Added Tax (VAT) and Income Tax from Self Assessment are the two largest contributors by value to international tax debt. Excise Duty, Tax Credits, Corporation Tax and PAYE make up the majority of the remainder.
- 2.8 In terms of the number of cases who have incurred international tax debt there are many more self-assessed Income Tax cases than any other type. There were about 70,000 of these prior to the pandemic: about half the total number of cases. Tax Credits were the basis of 35,000 other cases.
- 2.9 The wide range of taxes and taxpayers involved compounds the complexity that HMRC faces in understanding how the debt occurred, what might have prevented the debt from arising and any existing barriers to paying the tax owed.

¹ OECD (2014), *Working Smarter in Tax Debt Management*, OECD Publishing.
<http://dx.doi.org/10.1787/9789264223257-en>

- 2.10 It is clear from this evidence that there will not be one simple approach which is effective in preventing or reducing international tax debt in all its varieties. Accordingly, this document considers a variety of possible approaches.

The causes of international tax debt

- 2.11 There are many possible causes of international tax debt. It could be due to error or oversight, perhaps where a non-resident worker or a recently retired UK resident has left the UK without realising there was a tax debt outstanding. This can be simply a matter of timing where the tax assessment may be finalised after the taxpayer has left the UK. The departure might be a permanent emigration or an absence long enough to change the individual's tax residency; if the individual has outstanding unpaid tax, it will create an international tax debt. The use of Form P85 should cover these cases but there may be ways in which the process could be improved.
- 2.12 International tax debt can also be caused by the taxpayer's assets being based overseas or because the taxpayer has taken deliberate action to conceal the existence of assets. Regardless of the cause, the resulting international tax debt will be managed by HMRC's International Debt Unit.
- 2.13 The taxpayer might be an individual or a corporate body. In the case of companies, the international tax debt can arise because of the way the UK taxes some income received by companies not resident in the UK. Although this has become more common with the increase in online commerce it is a longstanding feature of the UK tax system.
- 2.14 Some individuals have lifestyles or jobs which make the creation of international tax debt more likely. Entertainers and sportspeople are two examples but there are other professions where skills, qualifications and experience are easily transferable, allowing individuals to work in any number of countries and to be highly mobile across the globe.
- 2.15 Any unpaid UK tax is classified as international tax debt when it becomes clear that the taxpayer, their assets or both are outside the UK.

Q 2.1 If you have had experience with international tax debt, what circumstances led to the failure to pay UK tax and the creation of an international tax debt?

Q 2.2 How did the international tax debt come to light and how was it dealt with?

3. Preventing international tax debt

- 3.1 International tax debt is more difficult for HMRC to collect than domestic tax debt and becomes harder to recover the older it gets.² If we can prevent international tax debt before it arises, including by educating taxpayers on how to avoid it, then this will be a significant improvement. HMRC will work with taxpayers and their agents to reduce the creation of international tax debt as far as possible.
- 3.2 As previously outlined, the Government's ten-year strategy, '*Building a trusted, modern tax administration system*' (see paragraphs 1.10-1.14) sets out key reforms that will help us in the future prevention and collection of debt. Delivering a fully digital tax system that operates closer to real time will enable us to have a greater understanding of our customers, allow us to carry out real-time risking and take targeted timely action to help prevent debt, including international debt, and recover it where needed. Until these reforms are fully implemented, we are looking to take what steps we can now.

Developing the collection and use of data to prevent and collect international tax debt

- 3.3 HMRC, alongside tax authorities in other countries, now have access to more data than ever before. In recent years, international developments championed by the UK have seen dramatic improvements in tax transparency and information exchanges.
- 3.4 The introduction of the Common Reporting Standard (CRS) is one example. The CRS requires jurisdictions to obtain information from their financial institutions about accounts held by non-residents. That information is then automatically exchanged with the jurisdiction where the taxpayer is resident on an annual basis.
- 3.5 More than 100 jurisdictions are now committed to the annual, automatic exchange of financial account information. This has resulted in the UK receiving information on 7.6 million financial accounts held in other jurisdictions by UK tax residents in 2019.
- 3.6 The exchange of information agreements that provide HMRC with access to data on offshore accounts held by UK taxpayers have numerous safeguards built in. These safeguards ensure the confidentiality and security of the data as well as restricting its use for specific purposes. Any developments in this area would comply with these safeguards.

² OECD (2019), *Successful Tax Debt Management: Measuring Maturity and Supporting Change*, OECD, Paris. www.oecd.org/tax/forum-on-tax-administration/publications-and-products/successful-tax-debt-management-measuringmaturity-and-supporting-change.htm

- 3.7 HMRC are now using CRS data in many different ways, including to help recover outstanding international tax debt. HMRC have begun to use data on a case by case basis. The data received about taxpayers' accounts in other jurisdictions can provide clear evidence of the means to pay a debt. HMRC may then be able to recover the tax due.
- 3.8 In addition to using data on individual cases, HMRC are exploring other ways of using the data. We are looking at how we can combine CRS data with other data already held to prevent international debt occurring or to recover debt which has arisen. HMRC have begun to combine data to identify, for example, professions, activities or jurisdictions which might have a higher risk of creating international debts.
- 3.9 In one example, HMRC identified a potentially high-risk group among owners of UK property who are based overseas. We were then able to provide specific guidance for this group. If this idea can be replicated successfully then tailored advice could be provided to groups or even individual taxpayers to help them to avoid running up tax debts. The advice could explain when tax is due, the nature of any particular risks and the various options for payment and so on.
- 3.10 HMRC could work with professional bodies to raise awareness of UK tax obligations among those who are more likely to accrue an international tax debt and to provide advice and help to those already in debt. The Spanish Tax Agency has introduced tailored techniques, such as identifying taxpayers in high-risk scenarios, to reduce the amount of debt that accrues.
- 3.11 HMRC believe that better use of data may prove helpful in this area. Data can help to establish patterns of risk. Where taxpayers' financial affairs are complicated, involving different jurisdictions and a number of advisers, it is often the case that no one party holds all the information.
- 3.12 Information asymmetry (where all information is not equally shared between agents and jurisdictions) can lead to the creation of international tax debt because of a lack of understanding of the complete picture. HMRC are considering whether the increased sharing of information would be beneficial to all parties in establishing a tax position.
- 3.13 It can be difficult for HMRC to collect tax debt from companies based overseas which operate in the UK. Sometimes these companies can be wound up or lack any assets while still owing tax to HMRC.

3.14 The government has taken action to establish a register of overseas companies which own land in the UK.³ The register will include the details of beneficial owners. HMRC are considering how best to make use of the register once it is available, including how it could be used to manage international tax debt.

Q 3.1 Are you aware from experience of other causes of international tax debt? What could be done to prevent the debt accruing in these cases?

Q 3.2 From your experience, are there any professions or activities which are more likely to lead to the creation of tax debt?

Q 3.3 From your experience, are there particular jurisdictions which are more likely to be linked to UK international tax debt?

Q 3.4 What more could HMRC do with the data we have to prevent international tax debt?

Q 3.5 Would collecting more information in high-risk situations or where taxpayers' international, financial affairs are complicated (paragraphs 3.8 to 3.12) be reasonable and proportionate to prevent international tax debt? Please explain your answer.

Guidance

3.15 For many taxpayers, the first source of help for tax matters is the guidance that HMRC provide. Guidance plays a fundamental role in helping taxpayers understand their tax obligations and avoid getting into tax debt.

3.16 In line with HMRC's commitment to help to raise awareness of their obligations amongst harder-to-reach audiences we will continue to work to ensure our communications and guidance reach taxpayers with international tax debt and that this generates the right response. HMRC welcome views on what guidance and formats are most helpful to reduce international tax debt.

3.17 Potential improvements to guidance relating to offshore tax obligations are explored in detail in the Helping Taxpayers Get Offshore Tax Right discussion document, which is being published alongside this document.

3.18 However, for the purposes of this document we would like to consider what improvements to HMRC's guidance would be especially helpful in the context of preventing the creation of international tax debt and helping taxpayers pay any tax due.

3.19 We would also like to consider how guidance relating to international tax debt is distributed, including distribution through agents and intermediaries. The work done by agents and intermediaries more broadly was discussed in '*Raising standards in the tax*

³ *Draft Registration of Overseas Entities Bill*, Cm 9635, July 2018

advice market: call for evidence which was published by HMRC on 19 March 2020. A summary of responses and proposed next steps was published on 12 November 2020.

- 3.20 At present, HMRC provide guidance through the traditional routes of manuals, leaflets and internet pages. However, guidance is also provided using a variety of newer formats which include, but are not limited to, webinars (live, virtual events), YouTube videos (to provide assistance in a visual format) and forums (where taxpayers can ask questions).

3.21 HMRC would welcome views on any ways in which we can make HMRC guidance more readily available to those who are at greater risk of accruing international tax debt. This could include exploring new ways to disseminate information, for example through social media or intermediaries that such taxpayers commonly interact with. Some approaches could include:

- Agents and intermediaries already work hard to make taxpayers aware of their obligations. Is there anything more which could be done specifically on the issue of international tax debt?
- Collecting more information from agents and intermediaries about clients who may be more likely to accrue international tax debt so that guidance can be provided to the taxpayer. This could start with such basics as ensuring all addresses are up-to-date but might be developed much further in order to inform taxpayers about their obligations and help them to meet them.

Q 3.6 How can HMRC improve educational material and guidance to prevent the creation of international tax debt?

Q 3.7 How might HMRC better work with agents and intermediaries to ensure guidance has the most impact?

Making Paying Tax Easier

3.22 Making it easy for people and straightforward for businesses to pay UK tax will limit the possibility of tax debt accruing. By delivering a fully digital tax system that is demonstrably fair we will be able to help customers better understand their tax obligations, making it easier for them to comply and do so in a way that shows how we are committed to delivering a level playing field for all; building trust. Some suggested examples on how we might make changes to achieve this are set out below.

Non-UK resident entertainers and sports professionals

3.23 Non-UK resident entertainers and sports professionals pay UK Income Tax on income earned from activities performed in the UK.

3.24 If the payments made are more than the UK personal tax allowance, the person who makes the payment deducts tax and pays it to HMRC, under the non-UK resident entertainer and sportsperson tax rules (often called the “foreign entertainer and sportsperson tax rules”). This withholding tax is usually deducted at the basic rate of Income Tax for the relevant year, currently 20%.

3.25 If a non-UK resident entertainer and/or sports professional overpays or underpays UK Income Tax, then they will be required to complete a Self-Assessment return to pay any outstanding tax or claim a refund on overpaid tax.

- 3.26 As tax is deducted at source from relevant payments under this scheme it provides protection against the risk of performers earning income in the UK without paying the UK tax due. It also helps to prevent the taxpayer from incurring a potentially large UK tax bill and simplifies the tax return process. The scheme is therefore helpful to both the taxpayer and HMRC.
- 3.27 Where the non-resident earns large amounts, UK Income Tax will be due at the higher rate of tax (currently 40%), or the additional rate (currently 45%). As tax is always deducted at 20%, a large international tax debt can accrue if the taxpayer does not pay the additional tax due on time. It can then be difficult for HMRC to collect this debt once the individual leaves the UK for reasons set out earlier.

Example of non-UK resident entertainers and sports professionals

For example, an entertainer paid a fee of £1 million in 2019/20 will be due to pay UK Income Tax of £435,000 (assuming no reliefs or expenses etc. are due).

However, only £200,000 of tax will be withheld, with HMRC then having to collect the balance of £235,000 from the taxpayer, who may have already left the UK and have no UK assets.

- 3.28 HMRC would welcome views on whether it would be preferable to withhold tax at a rate above the basic rate of Income Tax when large payments are involved. This could help to limit the creation of international tax debt among non-UK resident entertainers and sports professionals.

Q 3.8 What factors should be taken into account in deciding the rate of tax withheld from payments to non-UK resident entertainers and sports professionals?

- 3.29 Non-UK resident entertainers and sports professionals can also apply to HMRC to have a lower rate of tax withheld to reflect any expenses that are allowable for tax purposes or reliefs available to the taxpayer. This allows the rate of withholding to be adjusted so the amount deducted is, as far as possible, equal to the tax that will be due. This process benefits both the taxpayer and HMRC, by providing certainty of their tax position.
- 3.30 However, the current process for agreeing a reduced rate of withholding does not take account of any UK tax debt already owed by the taxpayer, or other UK tax compliance matters, such as whether all the UK tax returns due have been filed.
- 3.31 One way to improve international tax-compliance may be to require that non-UK resident entertainers and sports professionals are up to date with their tax affairs and do not owe tax in order to apply to have a reduced rate of withholding. In this way, applying for a reduced rate of withholding tax will be conditional on good tax compliance by the taxpayer.

Q 3.9 What are your views on making the application for a reduced rate of withholding for non-UK resident entertainers and sports professionals conditional on tax compliance?

3.32 HMRC are currently considering the use of tax conditionality. The idea of tax conditionality is that good tax compliance should be one of the conditions that must be met in order to obtain certain licenses or services. It aims to make it harder for the non-compliant (for example, those who are not registered for tax or refuse to engage with HMRC to settle tax debts) to continue to trade or operate in the UK. Tax conditionality has the potential to make paying tax easier for those seeking a licence or service who were otherwise unaware of their obligations.

3.33 There might be occasions where companies based outside the UK and internationally mobile taxpayers are reliant on UK licenses or regulatory approvals. Placing good tax compliance conditions on access to these services should prevent these taxpayers from accruing international tax debt. We would be interested in views on what services could be made conditional on good tax compliance in order to prevent international tax debt.

Q 3.10 What are your views on using tax conditionality to limit the creation of international tax debt?

Q 3.11 In what other ways do you think tax conditionality could be applied to limit the creation of international tax debt?

4. Improving the collection of international tax debt

- 4.1 HMRC want to ensure that it is simple and as easy as possible for taxpayers to pay their taxes. For those who have incurred a tax debt with HMRC for whatever reason, we want them to be able to settle their outstanding tax debts quickly, easily and securely. The ten-year strategy, described in Chapter 1, puts forward a number of ideas which should help to make this a reality.
- 4.2 HMRC have robust systems in place to support taxpayers in paying tax debts, including time-to-pay arrangements for those who would benefit from spreading the costs of their tax bill. However, it can be more difficult for taxpayers outside the UK to pay, and more complex and costly for HMRC to collect debt where the taxpayer, their assets, or both, are based outside of the UK.
- 4.3 There are many issues which can affect the collection of international tax debt. These include but are not limited to: language, exchange rates, methods of communication and methods of payment. In this section, we will explore how the collection of international tax debt could be improved. This will include looking at:
- how to improve communications with international debtors;
 - how to improve payment processes; and
 - how to collect international tax debt if the taxpayer refuses to cooperate.

Q 4.1 How could the collection of international tax debt be improved?

Communication

- 4.4 Taxpayers who are not in the UK can be harder to contact and they may find it more difficult to contact HMRC.
- 4.5 Where an international tax debt has arisen, HMRC initially make contact directly with the debtor using a letter sent in the post. This notifies the debtor that they have a UK tax debt. HMRC use letters, rather than electronic methods of communication, such as email, due to concerns about taxpayer confidentiality and to alleviate fraud risks (as emails can be intercepted and/or altered).
- 4.6 HMRC recognise that a reliance on letters poses challenges when communicating with taxpayers who are based outside of the UK. These challenges can arise due to a variety of factors, such as not having taxpayers' most up-to-date details, language differences, secure delivery of mail and misunderstandings about HMRC's debt collection processes.

- 4.7 Reducing HMRC's use of letters in favour of more digital communications may help to alleviate some of these concerns and would improve our environmental impact.

Types of payment accepted by HMRC

For phone payments, HMRC are currently able to accept all UK registered Visa/MasterCard and business/commercial credit cards registered anywhere in the world. HMRC cannot accept non-business cards registered outside the UK.

For online payments, HMRC can accept any Visa/Mastercard debit card issued in the UK or European Economic Area (EEA) and worldwide business/commercial credit cards.

Debit cards issued from outside the UK or EEA are not accepted.

Cryptoassets, such as Bitcoin, are not accepted.

- 4.8 However, HMRC have clear protocols on the use of email with customers. These protocols are designed to minimise the risk of using email for the customer and HMRC. HMRC can only send emails on matters such as debt with specific prior consent from the customer. As this can usually only be achieved by an exchange of letters, it is particularly difficult to obtain consent from a customer based outside the UK.
- 4.9 HMRC will keep this approach under review, while maintaining the proper balance between effectiveness and risk.

Q 4.2 How might HMRC improve our communications to collect international tax debt more effectively?

- 4.10 As well as changing the method by which HMRC contact taxpayers, there are several other options HMRC could explore to improve the effectiveness of its communications with international debtors including:
- Changing communications with taxpayers based offshore to ensure that the current address is always confirmed. Considering whether the use of "care of" and P.O. Box" addresses prevents letters from being received directly and swiftly.
 - Ensuring that a request for permission to use email is included in early communications with taxpayers.
 - Exploring the use of bilingual letters for taxpayers with international tax debt. HMRC have carried out a trial sending bilingual letters to customers residing overseas. The trial is being extended and if the outcome proves to be beneficial the practice will be brought into more frequent use.

Payment processes

- 4.11 For taxpayers based overseas, there may also be challenges when attempting to settle their outstanding UK tax debt because of the payment methods available to taxpayers outside the UK. Currently, as well as accepting international bank transfers, HMRC can generally accept payment of taxes over the phone and online.
- 4.12 HMRC are exploring improvements to the payment process to increase the collection of international tax debt. Some approaches under consideration include:
- Ensuring payment options for taxpayers are made clear with guidance available on each payment option; and
 - Exploring whether the available payment options could be expanded and what would be most beneficial to taxpayers outside the UK.
- 4.13 As part of this work it would be helpful for us to understand more about the payment challenges that taxpayers face when trying to settle their international tax debt.
- 4.14 We would be particularly interested in understanding the challenges faced by those in jurisdictions outside of the UK and the European Economic Area (EEA) where payment processing challenges may be more likely to arise. Now that the UK has left the EU and the EEA, new and different challenges may arise in some jurisdictions. We would be interested in learning about these if they have started to occur.

Q 4.3 What specific challenges are you aware of for taxpayers who try to pay debts from outside the UK?

Q 4.4 How could payment processes for outstanding debt be improved when the taxpayer is outside of the UK?

Non-cooperation

- 4.15 The vast majority of taxpayers pay tax on time. Most of those who cannot will engage with HMRC to make arrangements to pay and settle their debt. However, there are a small minority who refuse to engage, despite repeated attempts to contact them by HMRC, and who have the means to pay the tax they owe but have chosen not to.
- 4.16 Where HMRC have been unable to collect an international tax debt, we may ask a tax authority in another jurisdiction to help in the collection process. Such requests are enabled by “assistance in collection” provisions in international tax treaties. This is a key part of international cooperation. However, they do not always work perfectly.
- 4.17 For example, in some cases making an application for assistance to other jurisdictions can incur higher administrative costs than the tax owed. HMRC have been working to meet these challenges and we are engaging with the international community through forums such as the OECD to consider how to address them.

Q 4.5 What ideas do you have to improve international cooperation and to increase the rates of collection within other jurisdictions?

- 4.18 We would like to explore what other approaches (including penalties and sanctions) could be applied in order to encourage the repayment of international tax debt.

- 4.19 Research indicates that taxpayers can be motivated to address their non-compliance if there are reputational consequences which would have an effect on family, friends, professional contacts or the general public (e.g. *Understanding the motivators and incentives for voluntary disclosure: HM Revenue & Customs Research Report 397*, 2015). This may be especially persuasive for taxpayers who are concerned about their public reputation.
- 4.20 There are a number of possibilities that could be explored which may encourage compliance for both individuals and for businesses where there is a refusal to engage or non-cooperation.

Inhibiting access to UK markets to deliberate overseas tax evaders

- 4.21 In the event that an overseas business is deliberately evading UK tax and efforts to collect tax have proved unsuccessful we might want to consider whether, and how, to inhibit the evader's access to UK markets.
- 4.22 We think that this could be particularly helpful in preventing and collecting international tax debt associated with VAT, and to help to ensure a level playing field for the compliant population selling to UK consumers.
- 4.23 Inhibiting access to UK markets might also have a strong deterrent effect on offshore businesses which risk accruing international tax debt if they do not fulfil their UK tax obligations.
- 4.24 When taxpayers have an outstanding international tax debt which they deliberately do not pay, are there other sanctions which could be introduced? HMRC would welcome suggestions for measures which would be effective, proportionate and appropriate for those who do not cooperate with HMRC and are not resident in the UK or who are internationally mobile.

Q 4.6 What opportunities and challenges should be explored around inhibiting access to UK markets for deliberate overseas tax evaders?

Q 4.7 Are there any sanctions which might be particularly suitable for application with regard to international tax debt arising from the VAT regime?

Q 4.8 What alternative approaches or ideas do you have to pursue the minority who deliberately do not pay their international tax debts?

5. Summary of questions

Overarching questions

This discussion document has set out what we think HMRC can do better to prevent and collect international tax debt. We think that having a discussion at this stage is a valuable opportunity to explore the issues and consider possible solutions. Therefore, in addition to the questions listed throughout this document, we would also welcome your views on five overarching questions

A. Do you agree with the analysis of the problems identified with preventing and collecting international tax debt?

B. Are there other problems with preventing and collecting international tax debt we have not included in this document that ought to be addressed?

C. Do you believe the approaches suggested would be effective in preventing and collecting international tax debt?

D. What further ideas do you have to both better prevent and collect international tax debt?

E. What safeguards would be appropriate in conjunction with the approaches suggested or other approaches you put forward? How should they be designed to help ensure that taxpayers can challenge HMRC's decisions, where appropriate?

2. Understanding international tax debt

The causes of international tax debt

Q 2.1 If you have had experience with international tax debt, what circumstances led to the failure to pay UK tax and the creation of an international tax debt?

Q 2.2 How did the international tax debt come to light and how was it dealt with?

3. Preventing international tax debt

Developing the collection and use of data to prevent and collect international tax debt

Q 3.1 Are you aware from experience of other causes of international tax debt? What could be done to prevent the debt accruing in these cases?

Q 3.2 From your experience, are there any professions or activities which are more likely to lead to the creation of tax debt?

Q 3.3 From your experience, are there particular jurisdictions which are more likely to be linked to UK international tax debt?

Q 3.4 What more could HMRC do with the data we have to prevent international tax debt?

Q 3.5 Would collecting more information (paragraphs 3.8 and 3.12) be reasonable and proportionate to prevent international tax debt? Please explain your answer.

Guidance

Q 3.6 How can HMRC improve educational material and guidance to prevent the creation of international tax debt?

Q 3.7 How might HMRC better work with agents and intermediaries to ensure guidance has the most impact?

Making Paying Tax Easier

Q 3.8 What factors should be taken into account in deciding the rate of tax withheld from payments to non-UK resident entertainers and sports professionals?

Q 3.9 What are your views on making the application for a reduced rate of withholding for non-UK resident entertainers and sports professionals conditional on tax compliance?

Q 3.10 What are your views on using tax conditionality to limit the creation of international tax debt?

Q 3.11 In what other ways do you think tax conditionality could be applied to limit the creation of international tax debt?

4. Improving the collection of international tax debt

Q 4.1 How could the collection of international tax debt be improved?

Communication

Q 4.2 How might HMRC improve our communications to collect international tax debt more effectively?

Payment processes

Q 4.3 What specific challenges are you aware of for taxpayers who try to pay debts from outside the UK?

Q 4.4 How could payment processes for outstanding debt be improved when the taxpayer is outside of the UK?

Non-cooperation

Q 4.5 What ideas do you have to improve international cooperation and to increase the rates of collection within other jurisdictions?

Inhibiting access to UK markets to deliberate overseas tax evaders

Q 4.6 What opportunities and challenges should be explored around inhibiting access to UK markets for deliberate overseas tax evaders?

Q 4.7 Are there any sanctions which might be particularly suitable for application with regard to international tax debt arising from the VAT regime?

Q 4.8 What alternative approaches or ideas do you have to pursue the minority who deliberately do not pay their international tax debts?

6. The 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 discussion 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 possible further consultation.

How to respond

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

Responses should be sent by 15 June 2021, by email to consult.nosafehavens@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 consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018, UK General Data Protection Regulation (UK GDPR) and the Environmental Information Regulations 2004.

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

Privacy Notice

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

Your data

We will process the following personal data:

Name

Email address

Postal address

Phone number

Job title

Purpose

The purpose(s) for which we are processing your personal data is: *Preventing and Collecting International Tax Debt discussion document.*

Legal basis of processing

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

Recipients

Your personal data will be shared by us with HM Treasury

Retention

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

Your rights

- You have the right to request information about how your personal data are processed, and to request a copy of that personal data.
- You have the right to request that any inaccuracies in your personal data are rectified without delay.
- You have the right to request that any incomplete personal data are completed, including by means of a supplementary statement.

- You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.
- You have the right in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted.

Complaints

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

Information Commissioner's Office

Wycliffe House

Water Lane

Wilmslow

Cheshire

SK9 5AF

0303 123 1113

casework@ico.org.uk

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

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

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

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

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