



**HM Revenue
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Our Ref
Your Ref

Dear Stephan,

Open data proposals from the Open Data User Group: VAT data sharing

Thank you for your letter asking for HMRC's views on the proposal put forward by the Open Data User Group for the release of HMRC VAT registration data. You asked us to consider the proposal in terms of feasibility, cost and risk to HMRC, but also in terms of the economic benefits this could deliver. Among other things the potential benefits claimed include:

- an increase in trade and bank credit due to improved credit scoring, in turn leading to higher investment;
- reductions in commercial fraud due to improved checks on the identity of business proprietors;
- further efficiencies for the public sector and to HMRC from improved data sharing and tax collection.

This is a significant proposal which HMRC is examining closely. As you will appreciate, it raises important cross cutting policy, legal and strategy issues, which need to be considered fully by the Department and in our advice to Ministers.

HMRC colleagues, led by Simon Woodside and James Templeton, have already held a number of meetings with BIPA and BIS colleagues (Matthew Wicks and Alex Turvey) where we have been discussing the potential benefits and ways of quantifying these. At the same

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time we have commissioned internal work looking at the costs and risks to HMRC, to ensure that our advice and decisions take all necessary factors into account.

The main costs and risks that we have identified so far include:

- compatibility of publication of information with HMRC's statutory duty of confidentiality and the Data Protection Act 1998, and whether legislation would be necessary to implement disclosure;
- the likely reaction of individuals to the publication of identifying information which had been provided under legislative compulsion, and the impact of this on HMRC and on levels of tax compliance;
- the scope for publication of the VAT register to make it easier to hijack VAT numbers to commit VAT fraud
- competition issues, including the potential risk that the large number of small businesses *not* on the VAT register might be disadvantaged (since their credit score would not benefit);
- fit with HMRC's long-term strategy for data sharing to improve the efficiency and effectiveness of its activities.

One point I would draw to your attention is the difference in the basis of the proposal and HMRC's current legislative framework. The proposal starts from the position that the data in question constitutes a business register. However, as you will understand, HMRC has collected the data under a legislative framework that prohibits sharing of data except where permitted by that legislation, for example, where it is for the purpose of one of the department's statutory functions or if there is specific legislation that permits such disclosure. In situations where there is no clear benefit for HMRC's tax collection function, the department's powers to share data are limited without an express statutory provision. Moreover, since many of the businesses on the VAT register are sole traders or partnerships, the data is likely to be personal data and therefore covered by the Data Protection Act. The potential need for legislation reinforces the importance of robust analysis of the benefits case for making a sound decision.

We will shortly be reporting to Ministers on the potential options for release of the VAT register and the issues which would need to be addressed to take this proposal forward. The Tax Transparency Sector Board, which I chair, is meeting on 25 February, and we will also be providing an update on progress at that meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Edward Troup', with a horizontal line underneath.

Edward Troup
Tax Assurance Commissioner and Second Permanent Secretary