



Direct recovery of debts due to HMRC from debtors' bank and building society accounts

Who is likely to be affected?

Individuals and businesses who have debts payable to the Commissioners for Revenue and Customs under or by virtue of an enactment or under a contract settlement.

General description of the measure

The measure will allow HM Revenue & Customs (HMRC) to secure payment of tax and tax credit debts directly from debtors' bank and building society accounts in credit.

Policy objective

This measure will make the tax system fairer for those who do pay what they owe. It will enable HMRC to collect money directly from the bank and building society accounts, including ISAs, in credit, from debtors who have the means to pay but choose not to do so.

Those affected will have debts to HMRC which they have chosen not to pay despite numerous attempts from HMRC to elicit payment. This includes a guaranteed face-to-face visit to every debtor whose debts are considered for recovery through this measure.

Background to the measure

This measure was announced at Budget 2014.

A consultation document was published on 6 May 2014. The formal consultation was open until 29 July 2014.

The Government published its response to the consultation on 21 November 2014.

Detailed proposal

Operative date

This measure will be legislated for in a Finance Bill in 2015, during the next Parliament.

Current law

Currently HMRC does not have the power to hold and then remove debts direct from bank accounts of debtors without first applying to the courts under part 72 Civil Procedure Rules 1998 (CPR 1998) for a third party debt order; in Scotland section 128 FA is relied upon for similar provisions.

Although the principles that underpin this measure could previously be found in section 61 TMA 1970 and can now be found in Sch. 12 of the Tribunals, Courts and Enforcement Act (these provide for taking control of goods), the intention of this policy is to introduce separate provisions specific to recovery of debts direct from bank and building society accounts, including ISAs, of debtors that are in credit.

Proposed revisions

Legislation will be introduced in a Finance Bill in 2015, during the next Parliament, to enable HMRC to collect tax and duties from credit balances in accounts to satisfy HMRC debts.

Secondary Legislation will be published in spring 2015 and will introduce the direct recovery process and safeguards.

HMRC estimates DRD will apply to around 17,000 cases a year. HMRC will only take action against debtors who owe over £1,000 of tax or tax credits debt. HMRC will always leave a minimum aggregate of £5,000 across debtors' accounts, and will only put a hold on the funds in the affected account up to the value of the debt.

Following consultation and feedback from stakeholders, including professional and representative bodies, the safeguards for DRD have been strengthened further. These revised safeguards were set out in the Government's consultation response published on 21 November.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<p data-bbox="399 712 1394 846">The figures include those attached to the original policy announcement, and were set out in Table 2.1 of Budget 2014 and certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2014.</p> <p data-bbox="399 846 1394 1014">The figures include the adjustments set out in Table 2.1 of Autumn Statement 2014, which cover the effect of the safeguards, as part of <i>HMRC: operational measures</i>, and have also been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.</p> <p data-bbox="399 1014 1394 1084">The figures also include adjustments for the impact of other measures and updated analysis.</p> <p data-bbox="399 1084 1394 1120">Revised estimates will be presented in Table 2.2 of Budget 2015.</p>	nil	+20	+110	+130	+115	+95
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	<p data-bbox="399 1189 1394 1323">This measure will impact on non-compliant individuals (including self-employed taxpayers) and businesses who refuse to pay what they owe. Around 17,000 non-compliant individuals and businesses are likely to be affected by this measure each year.</p> <p data-bbox="399 1323 1394 1588">The measure is not expected to impact on family formation, stability or breakdown. Some families who own joint accounts may be affected by this policy. HMRC is introducing safeguards so that only a pro-rata proportion of the balance in a joint account will be affected. All account holders will be notified when action has been taken, and all account holders will have equal rights to object or appeal. Accounts held by family members on behalf of children, who are minors, will be protected.</p>					
Equalities impacts	<p data-bbox="399 1588 1394 1861">This measure targets only those debtors who have the means to pay but choose not to. HMRC will always leave a minimum aggregate of £5,000 across debtors' accounts, and will only put a hold on the funds in the affected account up to the value of the debt. All debtors who are considered for debt recovery through this measure will first receive a face-to-face visit from an HMRC agent, which will provide a further opportunity to identify vulnerable customers and offer the support they need.</p>					

Impact on business including civil society organisations	<p>This measure will impact on non-compliant individuals and businesses with debts over £1,000 who have not complied with their legal obligations.</p> <p>Deposit-takers will be required to provide information to HMRC and hold and transfer sums from customers' accounts to HMRC. However, banks will have the option to re-coup some of their costs by deducting a small administrative fee from debtors' accounts.</p>
Operational impact (£m) (HMRC or other)	<p>The additional costs for HMRC for implementing this change are estimated to be in the region of £800,000 over five years.</p>
Other impacts	<p><u>Justice impact test:</u> the measure includes a right of objection to HMRC followed by a right of appeal to the County Court. It is estimated that approximately 200 objections to HMRC will be generated each year. A small number of these may be followed by appeals to the County Court which will have an impact on HM Courts & Tribunals Service.</p> <p><u>Small and micro business assessment:</u> the measure will have no impact on compliant businesses. The majority of debtors affected by this measure are self-employed.</p> <p>Other impacts have been considered and none have been identified.</p>

Monitoring and evaluation

The measure will be kept under review through regular communication with affected taxpayer groups. The Government has committed to an HMRC-led review of this policy after two years of operation, to be laid before Parliament.

Further advice

If you have any questions about this change, please contact Andrew Willis on 03000 579079 (email: andrew.willis@hmrc.gsi.gov.uk).