

Informal consultation on HMRC's anti money laundering fees

HMRC would like to invite views on the way it charges fees to the businesses it supervises under the Money Laundering Regulations.

This document sets out background information and asks you 4 questions about fees. Please send HMRC your views by 21 November 2014, when this consultation will close.

How to respond

You can reply by e-mail to: aml.policyteam@hmrc.gsi.gov.uk

Alternatively you can write to:

HMRC AMLS
3C/18
100 Parliament Street
London
SW1A 2BQ

Purpose of this consultation

HMRC regularly reviews the fees it charges businesses for anti money laundering supervision. The current fee structure charges a registration and renewal fee of £110 per premises - a fee that has been unchanged since 2010. A review of the fees structure is now required to ensure HMRC can continue to effectively support businesses and increase levels of supervisory activity.

As a result HMRC is looking at how fees are structured and the amount they charge you. HMRC aim to treat businesses fairly and keep fees as simple and as low as possible, while meeting the costs of supervisory activities.

Below you will find an overview of the current fees structure. HMRC invite your views on 3 options for setting fees from 1 April 2015. There are 4 questions in particular on which HMRC would like your views.

Background

The Money Laundering Regulations allow HMRC to charge fees to applicants for registration and to the businesses being supervised, to meet any expenses they reasonably incur in providing supervision. Total fees income must not exceed those costs. There's specific provision in the Money Laundering Regulations for fees to be charged on a per premises basis.

'Reasonably incurred' expenses include:

- the costs of the registration system

- supervision of businesses
- help, guidance and advice to businesses
- work with other supervisors and law enforcement agencies

What does your fee cover?

The fee enables HMRC to cover the costs of carrying out their role as supervisor of some 26,000 businesses in seven business sectors:

- accountancy service providers who aren't supervised by a professional body
- estate agency businesses
- money service businesses
- high value dealers
- trust and company service providers
- bill payment service providers
- IT and digital payment service providers

HMRC is required to recover costs of supervising these businesses from the fees they pay, and not from general taxation. HMRC isn't allowed to charge more than they expect the overall costs to be.

The aim of HMRC is to help businesses deal with the risks of being exploited by criminals. The fees you pay cover a number of cost elements:

- compliance activity such as visits to your business – HMRC aims to help businesses stay on the right side of the law and challenge poor systems and controls
- working with intelligence and enforcement agencies to close down criminal business models
- producing guidance to help you comply with your legal obligations - raising standards across each industry
- carrying out risk assessments and keeping abreast of market developments
- registering new businesses, and maintaining registers
- carrying out fit and proper persons tests

HMRC's current fees structure

HMRC currently charges 2 types of fee to registered businesses:

- a £110 registration fee, renewed annually, for every set of premises a business or brand operates from - this fee is due when a complete application is received and on the same date each year after that - a business that is refused registration has this fee refunded
- a £50 fit and proper persons test fee for each director, beneficial owner, nominated officer and any other person exercising effective control of the business - the Money Laundering Regulations only require fit and proper

tests for Money Service Businesses and Trust and Company Service Providers
- there is no refund if a person fails a test

Registration fees accounted for 99% of HMRC's fee income in 2013 to 2014, compared to 1% generated by fit and proper persons test fees.

The annual per premises registration fee has effectively reduced in real terms, having remained at £110 since 2010. Under the current fee structure, £110 per premises will not be able to finance our future supervisory duties.

Estate agency businesses

HMRC assumed responsibility for supervising estate agency businesses on 1 April 2014, when the previous supervisor, the Office of Fair Trading (OFT), closed. The fee for estate agents under the OFT was £49, which increased to £110 once HMRC became the supervisor.

HMRC announced that as a transitional measure they would retain a cap introduced by the OFT that limited the maximum registration fee payable by estate agency businesses to 20 premises. HMRC agreed to do this for 1 year pending a fees review, to ease the short term impact on large estate agency chains moving to a new fees regime.

Fees structure options

HMRC has looked carefully at costs for 2015 to 2016 and 2016 to 2017 in order to ensure:

- the fee structure is consistent
- the fees are kept proportionate to the work HMRC does as supervisor
- the costs reflect where they fall

In reviewing the fees, HMRC has taken the following principles into account:

- HMRC cannot charge different fees to different businesses for the same service
- a simple fees structure provides greater certainty for registered businesses
- a more complex fees structure would require more information from businesses, increasing the administrative burden for you and for HMRC

HMRC has identified 3 options to cover expected costs from 2015 to 2017.

Option 1

- retain the current fees structure and increase the fee by £10 in 2015 with a further £5 increase the following year
- retain the transitional cap on the fee payable by estate agency businesses with more than 20 premises

The effect of this option would be to raise the per premises renewal fee from £110 to £120 from 1 April 2015. A further rise to £125 per premises would be required from 2016 to 2017 to continue to meet the cost of supervision. The fit and proper test fee would remain at £50.

So a typical customer in the period 2015 to 2016 with one premises would pay £120, or £170 (£120 plus £50) if they are new to the register and 1 fit and proper test is required.

Option 2

- retain the current fees structure and increase the fee by £5 in 2015 with a further £5 increase the following year
- remove the transitional cap on the fee payable by estate agency businesses with more than 20 premises

The effect of this option would be to raise the per premises renewal fee from £110 to £115 from 1 April 2015. A further increase to £120 per premises would be required from 2016 to 2017 to continue meeting the cost of supervision. The fit and proper test fee would remain at £50.

So a typical customer in the period 2015 to 2016 with one premises would pay £115, or £165 (£115 plus £50) if they are new to the register and 1 fit and proper test is required.

Option 3

This option seeks to distribute the fees where the costs fall, so costs are more directly recovered from the businesses that generate mandatory activity:

- retain the current per premises registration fee for new businesses and those renewing in 2015 with an increase of £5 for 2016 to 2017
- introduce a non-refundable processing fee of £100 for businesses applying to be registered for the first time - this would not apply on subsequent annual renewals, so it would be a one-time charge on new applicants only, reflecting the extra work involved in first-time applications
- increase the fit and proper persons test fee from £50 to £100 per test, to reflect the current cost of carrying out the test
- remove the transitional cap on the fee payable by estate agency businesses with more than 20 premises

The effect of this option would be to keep the current per premises registration fee of £110 for 2015 to 2016, rising to £115 for 2016 to 2017. The greatest impact would fall to new applicants.

So a typical existing customer in the period 2015 to 2016 with 1 premises would pay £110.

For a new customer, it would cost £210 if they are new to the register (£110 plus £100 processing fee). If they required a fit and proper persons test, new customers would also pay £100 per test (a total of £310 if one fit and proper test is required).

HMRC preferred option

The preferred option is option 3. This redistributes costs more consistently where they arise, and provides stability by leaving the current fee level unchanged for as long as possible.

Discussion questions

1. What are your views on the fee structure proposed in HMRC's preferred option (option 3)?
2. If you are not content with option 3, what are your concerns and do you have a preferred alternative?
3. What are your views on the transitional cap on the registration fee for estate agency businesses with more than 20 premises?
4. Are you planning any changes in your business model for the future which you think HMRC should be aware of when planning the future fees structure?

Next steps

HMRC will consider all your responses to these questions and report back to you on their findings and conclusions later this year.

Thank you for providing your views and helping HMRC improve the service they provide.

Jenny Ottewell

Head of Anti Money Laundering Supervision