

Budget 2006: Operational Impact Assessments

March 2006



HM TREASURY



HM Revenue
& Customs

Budget 2006:
Operational Impact Assessments

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OPERATIONAL IMPACT ASSESSMENT FOR OPERATIONAL AND PROCESS CHANGE TO STAMP DUTY LAND TAX

Introduction

1.1 This is the operational impact assessment (OIA) reviewing the impact of various operational and process changes made to stamp duty land tax (SDLT).

Purpose and Intended Effect of Measure

The Policy Objectives

1.2 The Government would like to make the stamp duty land tax system easier for its customers and their legal representatives to engage with. Specifically the number of requests for additional information needs to be reduced, which both slow down the process of tax collection and can create frustration amongst the property legal profession and their clients

Background

1.3 Since the introduction of stamp duty land tax on 1 December 2003 taxpayers and their legal advisers have regularly made representations that the administrative processes are too cumbersome. Recognition of the need to allow solicitors and conveyancers to come to grips with the new processes had resulted in the 'light touch' applied to incomplete returns in the period from 1 December 2003 to 19 July 2004. Despite this bedding in period, it became increasingly clear that conveyancing practitioners continued to have difficulties with the new processes. This culminated in the Law Society's media campaign (badged as SDLT 'Strife') criticising the implementation and administration of the new tax, launched in May 2005.

Options

1. Do Nothing

1.4 This would have meant continued discontent with the stamp duty land tax system at a relatively high level. This may well also have resulted in heightened frustration and an increasing loss of confidence in the stamp duty land tax system as a whole.

2. Introduce a package of operational and process changes

1.5 HM Revenue & Customs decided that where prudent it would bring about changes in response to its customers' representations.

The Introduction of E-Filing of Stamp Duty Land Tax Returns

1.6 E-Filing makes the submission of land transaction returns simpler for the taxpayer and their property law advisers in several ways. Many problems associated with the administration of stamp duty land tax are because of the submission of incorrect or incomplete forms and the subsequent requests for further information (via form SDLT8) that are generated. This can also result in delays in the issue of the land transaction certificate required for registration of the property transfer. Stamp duty land tax e-filing ensures that all the required data is entered so should all but eliminate the need for further information requests.

1.7 In addition, the e-forms pre-populate the answers wherever possible, in effect answering questions on behalf of the user. Only the information that is necessary for any particular transaction is asked for. So the number and type of questions that are asked will depend on the specifics of each transaction. In the vast majority of cases this will significantly reduce the number of questions asked compared with if they filled out the full land transaction return themselves.

1.8 To further increase convenience, where an address is the same as one already entered elsewhere the user is presented with the option of copying the address, and so avoids having to fill in the same information twice.

Modifications to the scanning process to increase the scanning success rate

1.9 The return forms are scanned so they can be processed electronically. To be scanned successfully requires that the responses to questions are written wholly within the boxes provided on the forms. If this is not the case then a form SDLT8 is issued requesting the missing or misread information. The area that the scanners examine was widened to encompass a small area around each answer box on the form to allow answers that overlap the boxes slightly to still be readable by the system.

Modifications to the validation process to increase the scanning success rate

1.10 HM Revenue & Customs have introduced a greater degree of flexibility in how the returns can be filled in by amending the validation checks that are made on each form. For instance some practitioners often leave certain Yes/No questions blank as the follow up questions do not apply to the particular transaction. This used to result in a form SDLT8 being issued as the system simply viewed the question as not having been answered. Where there is no cause for confusion (or for incorrect data) the validation checks have been removed on these particular questions.

1.11 In addition, a number of other rules have been relaxed governing whether forms are correctly completed where those rules proved to be unnecessary. For example the type of characters accepted has been broadened in some places beyond the standard alpha-numeric set so as to be able to accept more entries in those fields.

Stopping of demands for additional information going to both customer and agent

1.12 Form SDLT8s were automatically sent to both the legal agent and customer when additional information was required. This could often upset both parties; the customer wondered why the agent hadn't provided a particular piece of information, the agent annoyed at looking incompetent in her client's eyes. Now, if HM Revenue & Customs are notified that the agent will be dealing with any correspondence, any form SDLT8s are sent to the agent alone thus removing a point of annoyance for customers and agents alike.

Allow return of additional information without the need for the customer's signature

1.13 When form SDLT8s were issued Government required the customer's signature on the returned form as a declaration that new information supplied was correct and complete to the best of their knowledge. This often caused delays as agents struggled to obtain customers' physical signatures quickly. This requirement has now been ended, allowing agents to return form SDLT8s on their own authority, and thus removing another source of discontent in the stamp duty land tax system.

Rationale for Intervention

1.14 The need to complete self-assessed tax returns for property transactions was a significant change from the process under stamp duty. It was clear that (for a range of reasons) the new process was creating significant issues for conveyancing practitioners. This in turn could result in delays in the legal registration of property transactions. The changes proposed delivered a balance between making it easier for a return to be

accepted first time and the need for accurate information. Similarly the introduction of e filing supported customers in submitting correct returns first time and in submitting the information quickly.

Consultation

1.15 The issues addressed by the process changes had been raised by representative bodies such as the Law Society of England and Wales and the Law Society of Scotland in their regular meetings with stamp taxes staff. The changes were welcomed by the professional bodies. Consultation on process changes continues through the stamp duty land tax Working Together Group.

Cost and Benefits

Sectors and Groups Affected

1.16 All solicitors, conveyancers and legal professionals dealing with land transactions (and their clients) have benefited from these changes. Overall requests for additional information, i.e. cases where the initial submission was not fully accepted for one reason or another, have dropped from 35 per cent of all cases to 15 per cent.

Costs

1.17 HM Revenue & Customs is unaware of any additional costs for customers or Government as a result of these changes.

Benefits

E-Filing 1.18 E-filing now accounts for 8 per cent of all stamp duty land tax returns. On no occasion has it been necessary to issue a request for further information. However a small number of e-returns (less than 2 per cent) have failed to pass through the secure Government Gateway. Where e-filing has been taken up agents have benefited enormously. As well as stamp duty land tax submission being made faster by e-filing agents are also receiving the certificates much faster as a result, usually within five days.

Scanning Improvements and Validation Changes 1.19 The changes to the scanning process and the validation checks have reduced the overall number of requests for additional information from 35 per cent of all returns submitted to 15 per cent overnight. In addition, whereas scanning errors previously generated 15 per cent of all such requests, they now account for only 5 per cent of the (much reduced) total.

Changes to the way additional information is collected 1.20 Not sending any request for additional information to the end client as the liable person for the transaction as a matter of course when an agent has been indicated, has been a welcome relief to many property law practitioners. While this change hasn't reduced the numbers of requests for more information per se, it has help to smooth the process and made it somewhat less onerous for agents and their clients. In addition, by not insisting on the client's signature confirming any additional information, an unnecessary cause of delay in returning the form SDLT8 has been removed, thus ensuring a smoother running end to end process.

Small Firms Impact Test

1.21 These changes should have made life easier for all firms involved in filing stamp duty land tax returns. There will be a reduction in the burden placed on solicitors and

conveyancers making land transaction returns with no increases in costs or administration. As the majority, around 95%, of legal practitioners are small firms these measures will have a disproportionately positive impact on small businesses in the sector affected.

Competition Assessment

1.22 These changes will have little or no effect on competition within the markets to which they apply, namely the conveyancing and property law professions. The measures have passed the competition filter test. There are no additional costs associated with these changes and they do not affect any firms substantially more than any others. The property law sector is not dominated by a small number of practices and these changes will have little or no effect on the structure of the market.

Implementation and Delivery

1.23 E-filing went live on 13 July 2005 but initially its existence was only made known to a handful of companies. This allowed a period of testing to take place before it was formally launched nationally on 1 October 2005. Since then more changes have been made to the system and responses continue to be monitored in order that improvements can be made.

1.24 The changes to the scanning parameters were brought in early August 2005. This was swiftly followed by the introduction to the validation checks on 18 August 2005. Due to the nature of these changes their effects were immediate upon their implementation.

1.25 The ending of both automatically sending additional information requests to the customer and their agent and of the requirement for a customer's signature with the returned information was implemented on 14 September 2005. Again this was brought in with immediate effect.

Post-implementation Review

1.26 The final RIA for Modernising Stamp Duty, published in March 2004, announced a post-implementation review within three years. It was promised that the review would examine compliance costs for business and individuals, solicitors and conveyancers, and would review the additional yield and effectiveness of the compliance measures brought in as part of the new stamp duty land tax regime.

1.27 HM Revenue & Customs will now include these measures within the scope of that post-implementation review and examine the benefits brought about by these operational changes.

Enforcement, Sanctions and Monitoring

1.28 Stamp duty land tax has been continually monitored since its introduction in December 2003. As well as feedback through the stamp duty land tax help-line, several surveys have been conducted on practitioners experiences of the new tax. Close contacts have been maintained throughout with practitioners representatives and the law societies. These channels of communication will continue beyond the implementation of these changes and have enabled Government to evaluate their effectiveness almost immediately.

1.29 Through the stamp duty land tax Working Together Steering Group and its sub-groups Government continues to work with all the key stakeholders of stamp duty land tax. Here stakeholders continually assess the performance of the stamp duty land tax regime, suggest ideas for improvements and evaluate changes that have already been made. This is a vital tool for gauging the effectiveness of any changes in the stamp duty land tax system.

Summary and Recommendations

1.30 Government continues to listen to its customers and their representatives. Process changes that are more complex to enact are currently under consideration for the future.

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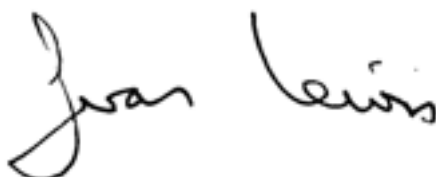
OPERATIONAL IMPACT ASSESSMENT

Operational and Process Changes to Stamp Duty Land Tax

Statement of Ministerial Approval

I have read the Operational Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:



Ivan Lewis
Economic Secretary to the Treasury

Dated: 8 March 2006

2

OPERATIONAL IMPACT ASSESSMENT FOR P11 CALCULATOR FOR THE EMPLOYER CD-ROM

REDUCE THE BURDEN ON EMPLOYERS OF CALCULATING ACCURATE PAYE AND NICs

Purpose and Intended Effect of Measure

The Policy Objectives

- 2.1** To enable more employers to correctly calculate their employees' weekly or monthly PAYE and National Insurance contributions quickly, accurately and with confidence.
- 2.2** Enable employers to complete their employees' end of year returns quickly, accurately and with confidence.
- 2.3** As a result of objectives above, reduce:
- amount of employer contact with HMRC; and
 - HMRC remedial action because more employer annual returns will be accurate.

Background

- 2.4** Employers who choose to operate their payroll themselves, and do it manually, must at the end of each pay period complete a P11 deductions working sheet for each employee detailing the employee's earnings. This type of employer is usually small (fewer than 10 employees) and prefers to carry out the core payroll tasks themselves.
- 2.5** The employer is also required to calculate weekly (for weekly paid employees) or monthly (for monthly paid):
- PAYE income tax ;
 - Class 1 National Insurance contributions (NICs) in respect of both employer and employee;
 - Statutory Payments (SPs) e.g. Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP) – if paid in pay period; and
 - Student Loan deductions – if made in pay period.
- 2.6** Each pay period PAYE tax and NICs deductions are recorded on the P11 and the yearly total calculated for every employee on a form P14.
- 2.7** In order to help employers with the completion of the P11 form, HMRC currently sends them, twice a year, an Employer CD-ROM which gives help and advice and contains PAYE, NICs, Student Loan and Statutory Payments calculators to help the manual employer meet their obligations. Alternatively, if employers choose to complete P11 working sheets without the use of the CD-ROM calculators, then tax, NICs, Student Loans, and SPs calculation tables are available to use as a point of reference.

Rationale for HMRC Intervention

2.8 The paper P11 – deductions working sheet is a double sided, larger than A3 form containing up to 21 columns and up to 53 rows, which need completing and adding for year end figures. Because of its inherent complexity both arithmetical and transpositional errors are commonly made, as well as mistakes in essential items such as tax/NI rates and earnings bands.

2.9 While commercial software and professional assistance are available to simplify these tasks, a sizeable number of employers (typically small) continue to complete the P11 manually. Employers are expected to tackle some complex and laborious allocations and calculations. Because of this, errors are often made which require more time and effort to correct at a later date.

2.10 Employers have continually asked HMRC for help with these core obligations, and the 2001 Carter Review of Payroll Services sought to address this, in particular by stressing the need to encourage smaller employers to make greater use of technology. Part of the response to that call has been the provision of tools on recent Employer CD-ROMs (PAYE tax and NICs calculators), but these only operate separately for each pay period. Transferring the resulting figures into the right slots on the form each period and then totalling at the year end remains a tiresome and error-prone manual task for these employers. So employers continue to report that they struggle with these day to day payroll tasks, and with their employees' end of year returns.

2.11 Currently there are almost 2 million employers of which 89% employ fewer than 10 employees. The 2005 NOP survey revealed that 60% of all employers continue to perform payroll operations manually, this figure rising for employers with fewer employees. However the survey reveals that 90% of all employers have access to a computer.

2.12 To assist these smaller employers, it is proposed that from April 2006 the Employer CD-ROM will include an interactive P11 Calculator to automate many of the procedural steps involved in working out PAYE tax and NICs. It is envisaged that the P11 Calculator will eliminate significant numbers of arithmetic or transcription errors.

Consultation

Within HM Revenue and Customs

2.13 Development was started on the P11 Calculator after all relevant business areas in HMRC were consulted and their agreement gained.

Public consultation

2.14 For the last few years employers have asked HMRC to provide them with electronic tools to enable them to better comply with their payroll obligations. In 2003 PAYE income tax and National Insurance calculators were added to the Employer CD-ROM, but employers asked HMRC to go further and develop a combined calculator in the form of an 'electronic' P11 deduction working sheet.

2.15 These requests were in the main gathered via the feedback facility on the CD-ROM, the annual CD-ROM telephone survey, face to face at events such as EmployerTalk, and through the 2005 employer mailings survey conducted by NOP.

2.16 In addition an employer survey was conducted in January 2006. Employers of various sizes and business types were questioned on what impacts, positive or negative, they thought this new feature would have on their business. All employers interviewed were of the opinion that the proposed P11 Calculator would save them time through the year and also at the year end.

2.17 Representatives from the payroll software industry were also consulted early in development work, and they were of the view that the planned new calculator did not represent a competitive threat to them.

Sectors and Groups Affected

2.18 1.6 million small employers, employer representative bodies, employer intermediaries (including payroll bureaux, software providers, etc) and HMRC.

Options

2.19 Develop an electronic equivalent of the P11 Deductions Working Sheet (the P11 Calculator) that calculates tax and NICs throughout the year. It will provide summaries at the year end to help employers complete their end of year returns. This will be developed to include a “save” facility for security and to comply with HMRC regulations.

2.20 Do nothing.

Costs and Benefits

2.21 Costs of benefits of developing an electronic equivalent of the P11 Deductions Working Sheet that calculates tax and NICs.

Benefit to the employee **2.22** It will help ensure more employees pay the correct tax and National Insurance contributions throughout the year.

2.23 It will help ensure more employees start work with their new employers with the correct tax code and pay & tax details.

Benefit to the employer **2.24** Employers expected to benefit the most are small employers with low numbers of employees. These employers are most likely to complete their payroll manually using paper tables or manually with the help of current features on the Employer CD-ROM.

2.25 It is also these employers where the most likely person to complete the weekly/monthly payroll will be the owner/director.

2.26 The P11 Calculator on the employer CD-ROM will enable an employer to calculate electronically PAYE tax and National Insurance due each pay day for each employee without the need for using calculation tables. The calculator will save this information, building the P11 throughout the year. This will save the employer considerable resource.

2.27 Time resource saved associated with making changes to key database components, such as tax code or National Insurance letter. The employer will not need to establish what they must do when these factors change, the P11 Calculator will simply perform the calculations for them and will note changes for in-year or end of year summaries.

2.28 Employees' end of year summaries can also be completed with the aid of the P11. Employers will be able to complete the end of year return for each employee quickly, accurately and with confidence. Also saving the employer considerable resource.

2.29 The P11 is able to provide an in-year summary for an employee who has left their employment. The summary has all the detail to enable the employer to complete a P45 for the departing employee. This will inevitably reduce the pressure on the employer's time resources and will increase the ease and efficiency of compliance.

Anticipated gross savings on annual compliance costs overall for employers will be in the range of £21 million to £34 million per year

2.30 Benefits to HMRC:

- more accurate end of year data received at HMRC will reduce the number of cases on PAYE open lists and NI suspense file lists and reduce HMRC re-work;
- considerably reduce the number of calls made to contact centres throughout the year and at the year end. This will allow HMRC Contact Centres more time to deal with other queries. Using data from the helpline study it is estimated that approximately 200,000 calls are made regarding the completion of the P11, P14 and P45. It can be estimated that the number of calls to contact centres reduce by 10% - 20%. This translates to annual cost savings of approximately £50,000 to £100,000; and
- encourage more employers to make use of their IT or invest in IT if not already part of their business.

Estimated total identified annual savings for HMRC relating to employer contact of £50,000 - £100,000 per year

2.31 Cost to the employee:

- Nothing.

2.32 Cost to the employer:

- initial time spent familiarising with Employer CD-ROM if employer has not used it before;
- initial time spent familiarising with P11 Calculator section of the CD-ROM including the employer database; and
- initial time spent completing the employer database within the CD-ROM.

Estimated one-off compliance cost to employers between £7.7 and £11.9 million in the first year only

2.33 Cost to HMRC:

- cost associated with external company developing and testing the P11 Calculator on the 2006 CD-ROM is £57,135 (one-off cost);
- change HMRC internal and external guidance. To fall within the annual maintenance budget;
- guidance on HMRC employer communication vehicles e.g. Employer Bulletin. To fall within the annual maintenance budget; and
- advise external new business support groups e.g. Business Link, banks etc. To fall within the annual maintenance budget.

2.34 Total Cost to HMRC is £57,135.

The do nothing option

2.35 Benefit to the employee:

- None.

2.36 Benefit to the employer:

- Under the “do nothing” option employers will have no benefit because no changes will be made.

2.37 Benefit to HMRC:

- Under the “do nothing” option HMRC will not benefit because no changes will be made.

2.38 Cost to the employee:

- an avoidable number will suffer incorrect deduction of tax and/or National Insurance contributions.

2.39 Cost to the employer:

- continue to suffer avoidable compliance costs.

2.40 Cost to HMRC:

- continuing employer dissatisfaction in having to meet their PAYE obligations;
- continuing HMRC re-work costs relating to incorrect tax and National Insurance deductions; and
- reflect badly on the Department for not responding to various sources of evidence suggesting the need for change, including both internal and external feedback.

Small Firms Impact Test

2.41 This was applied via an employer survey conducted with 36 employers in the Kent area. The results showed that all 36 employers were of the view that the P11 Calculator will save them significant resource, both in year and at the end of the year when they have to complete employee summaries. The compliance cost savings identified in this OIA were arrived at using the results in the employer survey.

Competition Assessment

2.42 The enhancements of the new P11 calculator on the updated Employer CD-ROM, are not expected to have any significant competition effects. The payroll industry has been consulted on the potential impact of the Employer CD-ROM on their market and they do not consider it to be a competitive threat.

Enforcement, Sanctions and Monitoring

2.43 Because of this enhancement to the Employer CD-ROM employer compliance is expected to increase.

2.44 Within 2 years of implementation we will conduct a review around the success of the P11 Calculator:

- another employer field survey will be conducted and results obtained will indicate whether objectives and savings realised;
- the national Employer Mailings survey conducted in 2005 by NOP can be also be used to measure the success of the P11 Calculator; and
- data from end of year returns will be monitored to identify the impact on errors in these returns.

Implementation and Delivery Plan

2.45 P11 Calculator will be available for use from 6th April 2006.

2.46 The 2006 Employer Annual Pack issued in early February 2006 will contain all the related guidance that employers will need to prepare themselves for the start of the new tax year. Part of this pack will include the 2006 Employer CD-ROM. The Budget update CD-ROM will be issued in April/May 2006 and replaces the previous CD-ROM issued.

2.47 The Employer Bulletin issued at the same time will also contain a message regarding the availability of the P11 Calculator and its capabilities.

2.48 Relevant HMRC staff will be advised of the P11 Calculator in their employer briefs and advisor guides.

Post-implementation Review

2.49 HMRC has a programme in place to ensure that the compliance cost assessments made for all OIAs are reviewed after the policies are implemented. The assessment of compliance costs in this OIA will be part of this process and will be carried out within 2 years of implementation.

Summary and Recommendations

2.50 The form P11 Deductions Working Sheet is used by employers to record details of pay, tax and National Insurance contributions (NICs). It is also used to record details of Statutory payments and Student Loan deductions.

2.51 It is estimated that around 60% of employers continue to perform their payroll operations, including the P11 Deductions Working Sheet completion, manually. These

employers continue to calculate and record tax and NIC's using either paper tables or with the help of existing calculators available on the CD-ROM.

2.52 Errors are often made whilst tackling these complex calculations, which require more time and effort to correct at a later date.

2.53 HMRC need to provide more help for employers to assist them in meeting these obligations. As a result of difficulties around employers incorrectly working out tax and NICs too many employees end up paying the wrong amount of tax and NICs this invariably leads to:

- extra work for HMRC that could be avoided;
- employees overpaying/underpaying tax and NICs; and
- a drain on employers' resources.

2.54 End of year employee detail (supplied by the employer) received at HMRC often contains incorrect tax and NI deductions. The new P11 Calculator will go some way towards improving the accuracy of these returns.

Table 2.1 Summary of the estimated overall costs and benefits for employers and HMRC of these changes

	Costs	Benefits
Employer	£7.7m - £11.9m initial one-off compliance cost	£21m - £34m compliance cost savings per year
HMRC	£57,135	£50k-£100k per year

2.55 We recommend that the new form and process be added to the CD-ROM for use from 6th April 2006.

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OPERATIONAL IMPACT ASSESSMENT**PII Calculator for the Employer CD-ROM****Reduce the Burden on Employers of Calculating Accurate
PAYE and NICs****Statement of Ministerial Approval**

I have read the Operational Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:



Dawn Primarolo
Paymaster General

Dated: 14 March 2006

3

OPERATIONAL IMPACT ASSESSMENT FOR THE DEVELOPMENT OF A NEW CD-ROM FOR VAT

THE DEVELOPMENT OF A NEW CD-ROM FOR NEW VAT REGISTERED BUSINESSES ENTITLED 'GETTING STARTED IN VAT – GUIDANCE FOR SMALL BUSINESSES.'

Purpose and Intended Effect of Measure

The Policy Objectives

3.1 The CD-Rom is intended to provide basic, easily accessible information for businesses thinking of registering for Value Added Tax (VAT) and those that are newly registered. It also contains introductory information on Excise and International Trade with signposts to other sources of business support and advice.

Background

3.2 In the region of 250,000 businesses register for VAT with Her Majesty's Revenue and Customs (HMRC) each year. Prior to the introduction of the CD-Rom each of these would receive a 'VAT Pack' of introductory public notices and leaflets describing the basic principles of VAT and its regulatory obligations. This could include up to twelve separate notices, leaflets and forms.

3.3 Since 2001 Her Majesty's Customs and Excise (HMCE), and latterly HMRC, has offered a variety of educational options to newly registered VAT businesses. These have included seminars, one to one interviews and a set of 2 videos. The videos were first developed in 2001 and later reviewed in 2003. The videos were aimed at those new to the tax and explained what VAT is, how it works and a basic guide to keeping VAT records.

Rationale for Government Intervention

3.4 In July 2003 HMCE reviewed the way information was delivered to newly and pre-, registered businesses and was looking for opportunities to improve e-service delivery. The Business Needs Survey 2001 highlighted that Departmental guidance could be difficult to use, especially for small businesses new to VAT. At the same time HMCE also conducted a 'fit for purpose' review of the educational products available to newly registered businesses. Analysis of feedback in this review indicated that businesses were finding the videos dated and increasingly less useful. There were also suggestions for updating the medium from video to DVD or CD-Rom.

3.5 In response to this feedback from businesses HMCE decided to develop a CD-Rom to replace both the VAT Pack and the videos. The CD-Rom is able to direct businesses towards the Departmental website. By offering information in this format, HMRC aims to provide more choice to customers, and exemplify Government e-business policies.

Consultation

Within Government

3.6 Extensive consultation was undertaken with a wide range of colleagues within the then HMCE, including business education and support staff; print & publishing teams; e-business; Large Business Service; National Advice Service; National Registration Service; Marketing & Communications; International Trade; Excise; Procurement and the Departmental Audio Visual Unit. These consultations did not result in the necessity to make changes to the original policy or recommendations. As a consequence, wider consultation with other Government Departments was not deemed necessary.

Public Consultation

3.7 In the region of 50 copies of an early prototype of the CD-Rom were distributed to contacts in the Business Link and British Chambers of Commerce networks in mid-2004 for user testing and comment. Users represented a mix of businesses and support advisors. Copies were also circulated among advisors and agents from the National Policy Forum for Start-Ups. Refinements to content and some technical glitches were ironed out as a result of feedback received.

3.8 This stage was followed by a controlled 'launch' of the CD-Rom (version 1) to businesses registering for VAT. In the region of 50,000 copies of version 1 were distributed between May and September 2005. This limited or 'soft' launch was again used to test user reactions and to identify content problems and technical glitches. Feedback was sought using a pre-paid postcard that was distributed with the CD-Roms.

3.9 The feedback from version 1 has been used to inform the development of version 2 which was formally launched in the Chancellor's speech to the CBI Conference in November 2005. HMRC estimate that there are in the region of 70,000 copies of the CD Rom in circulation at the present time.

3.10 HMRC will continue to encourage feedback through the pre-paid cards on version 2. It has also bid for funding for further customer research to be undertaken during 2006/7 via telephone survey. This will test further customer satisfaction with the product and market recognition and penetration.

Options

3.11 During the development phase the following options were considered:

1. Do nothing;
2. Withdraw 'VAT Packs' and do not replace;
3. Withdraw videos and do not replace;
4. Develop new videos;
5. Develop a new DVD; or
6. Develop a new CD-Rom to replace both videos and 'VAT Packs.'

3.12 Following consultation Option 6 was adopted as the preferred option.

Cost and Benefits

Sectors and Groups Affected

3.13 The introduction of the new 'Getting Started in VAT' CD-Rom potentially will affect around 250,000 businesses registering for VAT each year, the majority of which will be classified as being 'small'. All businesses registering for VAT, regardless of turnover, number of employees or sector, will receive the CD-Rom (or a suitably abridged paper version on request). For businesses with a taxable turnover in excess of £60k per year, registration is mandatory. Businesses with a taxable turnover below £60K may register voluntarily.

3.14 The benefits should arise from increased customer satisfaction and reductions in the compliance burden. In particular it is anticipated that businesses will save time in dealing with the following:

- identifying and requesting information;
- reading leaflets/printouts;
- familiarity with and negotiating the website;
- numbers of contacts to National Advice Service;
- time spent on follow up questions and clarification;
- time spent obtaining and completing forms; and
- correcting errors and making adjustments both on forms and tax returns.

Costs

Compliance Cost to Business

3.15 For each of the six options specified above, the change in compliance costs for business were estimated to be as follows:

Do nothing **3.16** As no changes were to be made to the existing procedures and products it was deemed there would be no change to the amount of compliance costs.

Withdraw 'VAT Packs' and do not replace **3.17** No specific levels of compliance costs are available for this option. However it was not a preferred option as it was likely to result in a lack of guidance being available for inexperienced businesses. It was felt that this was likely to engender poor customer satisfaction as well as leading to a reduction in VAT compliance through the increased incidence of error.

Withdraw videos and do not replace **3.18** Again there are no specific levels of compliance costs available for this option. As with the previous option simply withdrawing the videos and not replacing them was likely to result in a lack of guidance being available for inexperienced businesses, with similar levels of reduction in customer satisfaction and reduced levels of VAT compliance.

Develop a new video **3.19** The development of a new video would have had negligible impact on the compliance costs for business. However the creation of a new video was seen to be an inefficient use of resources as businesses had made it clear that they no longer saw this as an acceptable format.

Develop a new DVD 3.20 The development of a new DVD was also likely to have a negligible impact on the compliance costs for business. However it was felt that this product would not be interactive enough for the needs of business and would probably need to be replaced with a newer medium very quickly.

Develop a new CD-Rom to replace both videos and VAT Packs 3.21 The preferred option was the development of a new CD-Rom for newly registered businesses with an element of interactivity to suit the needs of business. The compliance cost saving for business is thought to be in the region of £40 million initially (that is, in the early weeks of registration) and £17 million in ongoing compliance savings.

Government

3.22 For each of the six options specified in section 4 of this OIA the costs of implementing them by HMRC are estimated to be as follows:

Do nothing 3.23 As no changes were being made there would be no additional cost to HMRC. The obvious benefits of this option were that there would be a minimum amount of disruption to the existing procedures. The costs to HMRC of producing the VAT Packs is not available however the printing and postage costs are estimated to be in the region of £500,000.

Withdraw VAT Packs and do not replace 3.24 The costs to HMRC of withdrawing the VAT Packs are not readily available. However, there were likely to be substantial savings in terms of printing, postage (estimated to be in the region of £500,000), and a potential for staff savings in the VAT Registration Units.

Withdraw videos and do not replace 3.25 The costs to HMRC of withdrawing the videos are not readily available. However there would be an expected saving in terms of reproduction and postage costs as well as a potential for staff savings in the relevant distribution centre.

Develop new videos or DVD 3.26 The cost to HMRC of developing a new video or DVD was negligible.

Develop a new DVD 3.27 The cost to HMRC of developing a new DVD was negligible.

Develop a new CD-Rom to replace both videos and VAT Packs 3.28 It was estimated that there would be an annual saving of just under £500,000 to HMRC for the preferred option of developing a new CD-Rom. Much of this saving to be derived from lower production costs (around 10p per CD-Rom), postage and the greater use of electronic media by businesses.

Small Firms Impact Test

3.29 The majority of businesses registering for VAT are small and medium enterprises. During the public consultation period no disproportionate impact was identified on small businesses. In fact the expectation is that lower compliance costs to newly VAT- registered, small, businesses will have a positive impact and potentially make it easier for small businesses to comply with the tax.

Competition Assessment

3.30 The introduction of the new CD-Rom is not expected to lead to any competition effects. This assessment has been informed through the use of the Cabinet Office filter test.

Enforcement, Sanctions and Monitoring

3.31 As this is a purely educational and business support product enforcement arrangements are not appropriate. HMRC have however been mindful of the needs of those businesses who may not have, or wish to, access the Internet and to meet this need have produced a hard copy version of the CD-Rom which will be available on request via the National Advice Service.

3.32 Monitoring of customer satisfaction with the CD will be ongoing with a content review every twelve months, ideally timed just after the Budget to ensure any necessary amendments are included.

Implementation and Delivery Plan

3.33 Implementation of the CD-Rom has been through a gradual roll out as described in section 3 above. This has enabled HMRC to take into account the views and needs of businesses, and produce a product better targeted to their needs. A full production run of the CD-Rom will enable HMRC to roll out the product to all new potential customers with distribution through existing departmental channels. Work done to date has confirmed that there are no expected difficulties in roll out of this product.

Post-implementation Review

3.34 A post-implementation review will be conducted within 18-24 months of full roll out of the product.

Summary and Recommendation

3.35 The recommended option was for full roll out of the CD Rom as this produces the best combination of benefits to both business and government.

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OPERATIONAL IMPACT ASSESSMENT**The Development of a New CD-ROM for New VAT Registered Businesses Entitled: 'Getting Started in VAT – Guidance for Small Businesses****Statement of Ministerial Approval**

I have read the Operational Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:



Dawn Primarolo
Paymaster General

Dated: 14 March 2006

4

OPERATIONAL IMPACT ASSESSMENT FOR NEW STATEMENT OF ACCOUNT

INTRODUCTION OF A SIMPLIFIED SELF ASSESSMENT STATEMENT OF ACCOUNT

Introduction

4.1 To introduce a shorter, simpler Statement of Account for taxpayers within income tax self assessment by:

- having a total brought forward figure only, rather than repeating all the relevant details of any outstanding items, and reporting new events since the last Statement;
- having one figure for interest arising in the period covered by the Statement rather than allocating it to each charge;
- having a box (on page 1) with the amount to pay and by when; and
- using plain English in the guidance.

Purpose and Intended Effect

The Policy Objective

4.2 The policy objective is to produce a simplified Statement which is easier for HM Revenue and Customs self-assessment customers to understand and provide them with a clear record of what they have to pay (or be repaid) and by when. It is an administrative simplification.

4.3 The simplified Statement is being introduced from August 2006. A flyer explaining the changes and how further information can be obtained, if needed will accompany the simplified Statement. Flyers, giving early notice of the changes, will also be included with current Statements issued in April and June 2006 informing around 5 million customers of the impending changes.

4.4 The simplified Statement covers the whole of the UK and around 95 per cent of the self assessment population will receive the simplified Statement. At any one time around 5 per cent of customers, due to their circumstances, will receive the current style Statement. Customers, who want to, can opt to continue to receive the old style Statement.

Background

4.5 All taxpayers within self-assessment receive at least one Statement of Account during the tax year; many receive more than one. The existing Statement of Account sets out full details of all a taxpayer's transactions during the Statement period, plus a history of any outstanding items. Broadly speaking, it is issued when an event results in tax and/or a penalty, interest or surcharge becoming due, or repaid, (for example a tax return being received and processed), but it is only issued on nine or ten set dates during the course of the year.

4.6 The current Statement of Account shows the liabilities that are currently due or shortly becoming due, and the date by which each liability is required. It also shows any payments received in the Statement period and the liabilities against which each payment is set. Where a liability has not been paid in full the Statement of Account also shows how much remains to be paid, the amount of any interest that has arisen so far for each liability, and any surcharge due. This is repeated in block on each Statement until the liability is cleared. Other information is also shown, such as adjustments to liabilities, where a Return is amended.

Rationale for Government Intervention

4.7 Since self-assessment was introduced taxpayers and tax agents¹ have reported difficulty in understanding the current Statement of Account, due to its complexity. It has been subject to criticism in Public Accounts Committee and Treasury Committee reports.² Despite a number of improvements that have been undertaken over the years and the introduction of HMRC's Online service to view payments and liabilities, the Statement still receives criticism and scores badly in HMRC's annual Customer Service Survey. It is a Key Indicator linked to HMRC's Public Service Agreement targets.

Consultation

Within Government

4.8 All the relevant HMRC business units were consulted by a variety of meetings and workshops. The Paymaster General approved the work.

Public Consultation

4.9 An informal consultative group, including the Federation of Small Business, Tax Aid, Consumer Association and the accountancy bodies representatives, was closely involved in the development and design of the simplified Statement. These, and other representative bodies, have welcomed the development of the simplified Statement.

Options

4.10 Simplification and redesign of the Statement of Account and guidance (on reverse of Statement).

4.11 Do nothing. This option would mean HMRC had not addressed one area that consistently scores poorly in HMRC's annual customer survey, and that is known to give some customers difficulties, especially those new to self assessment.

Costs and Benefits

Sectors and Groups Affected

4.12 Around 26 million Statements are issued each year to around 9 million self assessment customers. Around 4 million self-employed sole traders (small businesses), as well as individual partners in partnerships (but not the partnership itself) and

¹HMRC Working Together Register of Issues - www.hmrc.gov.uk

²Committee of Public Accounts 33rd Report: Income Tax Self Assessment 9 May 2002; Treasury Committee 6th Report: Inland Revenue 27 May 1999

individuals (non self-employed) in self assessment will benefit from the simplified Statement.

Benefits

To the self-assessment customer

4.13 The task of understanding the simplified Statement is likely to be easier for most customers and they will be able to see at a glance what they owe, and when they have to pay it. The briefer format using carried forward totals and summarised interest details should make the Statement more comprehensible. The strong positive feedback provided by those consulted confirms that the change will be beneficial.

4.14 It is not possible to quantify the benefits precisely because many of them are either subjective or qualitative, such as improving the ease of understanding. In addition, not everyone will benefit to the same degree, because those with simple affairs already receive fairly straightforward Statements. Once the new Statements have bedded in, some customers are likely to see:

- a clearer and more direct Statement of their liability resulting in fewer errors in paying the right amount at the right time (and hence a potential reduction in interest/surcharges);
- a reduced need to query unclear Statements; and
- a reduction in the time taken to understand and deal with each Statement.

4.15 The best way of measuring the overall impact of the change is through the annual customer feedback survey.

4.16 Customers who want the underlying detail will be directed to HMRC's Online services where they will be able to obtain more detail about their payments and liabilities in real time (close of play previous day). Non e-enabled customers will be able to obtain that information from contact centres. Customers, who want to receive more detail on a regular basis, can opt to continue to receive the old style Statement.

To HMRC

4.17 After the introductory period, as the simplified Statement is more straightforward, it may reduce telephone calls to contact centres to query entries. There should be fewer complaints about the complexity of the Statement and a positive effect on the relevant HMRC Customer Service Survey marking.

4.18 A consequence of wanting more information might lead some customers to use HMRC's Online services, HMRC's favoured channel strategy.

Costs

To the self-assessment customer

4.19 The proposed change will be beneficial. In the short term, HMRC recognise that some customers may need a small amount of time to get used to the new format, but the use of explanatory flyers will ease the transition and minimise the number of queries arising.

4.20 HMRC expect the simplified Statement to be received by 95 per cent of its customers. Some customers may require, and hence take more time to find, the finer detail via Online services or contact centres. But if these customers consistently want greater detail, and do not wish to use the Online service, they can opt to continue to receive the existing Statement format. So overall HMRC do not think there will be increased costs to any customer.

To Government

4.21 The introduction of the simplified Statement is designed to make the self assessment system easier to understand. It does not affect the amount of tax revenue collected, although it should make it easier for customers to identify the amount of tax due and pay correctly on time.

To HMRC

4.22 The cost of introducing the simplified Statement is estimated to be £2 million. This is made up of £1.8 million IT costs, and £0.2 million staff and other operating costs. There may be increased calls to the contact centres, during the introductory period, but HMRC believe these will level out.

Small Firms Impact Test

4.23 Early informal consultation with the Federation of Small Businesses and Tax Aid (who assist the small self-employed who need help but cannot afford a tax advisor) suggested no negative impact on small businesses, any impact being positive. Informal testing with small self-employed again suggested any impact to be positive. There is no need to arrange a stage 2 Impact Test because the impact on small businesses will be positive.

Competition Assessment

4.24 The changes to the Statement of Account are not expected to lead to any competition effects. This assessment has been informed through the use of the Cabinet Office Competition filter test.

Enforcement, Sanctions and Monitoring

4.25 As the simplified Statement is clearer and easier to understand it should help customers with paying the right amount of tax at the correct time. However, it is not expected to make a significant change in this respect and overall compliance issues are considered to be neutral.

4.26 HMRC's annual Customer Service Survey monitors ease of understanding of the Statement of Account and will indicate whether the simplified Statement has made things easier for customers.

4.27 HMRC expect the new Statements to have fully bedded in by March 2007 and hence the full impact of the change will be evidenced by the October/November 2007 annual survey. Publication of that survey is expected in summer 2008. HMRC will also monitor the level of complaints both to gauge the impact of the change, and to address any emerging concerns with the new system.

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OPERATIONAL IMPACT ASSESSMENT

Introduction of a Simplified Self-Assessment Statement of Account

Statement of Ministerial Approval

I have read the Operational Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:



Dawn Primarolo
Paymaster General

Dated: 8 March 2006

5

OPERATIONAL IMPACT ASSESSMENT FOR EMPLOYMENT STATUS INDICATOR (ESI)

Purpose and Intended Effect of Measure

The Policy Objective

5.1 ESI is an online interactive guidance tool designed to help determine whether someone is employed or self-employed. The product, which has been the subject of extensive testing internally and externally, is available on the HMRC web site. Customer advisers also have access to ESI to support customers when they contact us.

5.2 ESI users will be able to reach the right practical answer consistently and accurately, without needing to understand how the rules work. It is designed to give an answer in all but the most complex cases. Such cases will require the intervention of one of HMRC's Status Inspectors.

Background

5.3 ESI is one of the products developed by the HMRC Better Guidance Programme (BGP). This programme supports the department's PSA targets and other key business objectives by establishing corporate standards and processes for producing and maintaining guidance which:

- enables everyone to understand and receive what they are entitled to and to understand and pay what they owe;
- is provided by an infrastructure that produces and delivers guidance which is usable, easily maintained and managed as a departmental asset; and
- promotes business efficiency by enabling improved customer contact through clear, consistent, accurate and up to date information via media which suit all customer needs.

5.4 Employment status is a notoriously difficult area of the tax system, with a considerable body of arcane case law. The ESI interactive guidance tool effectively shields the user – whether an HMRC customer adviser or an external customer – from the complexity of the rules, while still providing an accurate and consistent answer on employment status in all but the most complex cases.

5.5 ESI is the first deployment by HMRC of interactive guidance using innovative 'rulebase technology' provided by RuleBurst (Europe) Limited. Earlier forms of interactive guidance typically use 'case based reasoning' or similar techniques. These take as a starting point the same FAQs as static guidance, and incorporate only those aspects of the rules needed to answer those questions. In contrast rulebase technology is used to develop a rulebase for a complete set of rules (whether legislation or business processes). This guides the user to the right issue, and the resolution of that issue, through simple interactions on factual questions.

5.6 The rulebase identifies what further questions are prompted or excluded by the answers to previous questions and continues the investigation until a definite conclusion is reached. And it provides the user with a complete explanation of the outcome.

5.7 Interactive guidance using rulebase technology is still relatively new in the UK. But it has been very successfully deployed in Australia, resulting in significant improvements in customer service and increased productivity.

5.8 ESI is now available to HMRC customer advisers who can use it to provide callers with a definitive answer to their status enquiries (provided that the information supplied is accurate and complete). And it is available via the HMRC web site for external customers to obtain a provisional view of employment status. Later in 2006/07 we hope to deploy an enhanced version of the tool, which will give external customers binding status decisions (provided that the information supplied is accurate and complete) without any need to contact the department. To enable HMRC to give a binding opinion we require the taxpayer's personal details and it is this element the current web site version cannot capture.

Rationale for Government Intervention

5.9 Employment status has long been one of the most difficult areas of direct tax law. In all but the most straightforward cases, it is necessary to weigh up a number of complex aspects of an individual contract in order to reach a decision. For HMRC and private sector tax advisers this is a resource-intensive process, requiring highly trained specialists. As a result:

- it is an expensive service for HMRC to provide;
- it increases the compliance costs of individual taxpayers, employers and their advisers; and
- it increases the risk of inconsistency in status decisions in individual cases.

5.10 Although the question of employment status can arise in most areas of work, it is particularly relevant to the construction industry, which has long been heavily reliant on sub-contracted labour. The new construction industry scheme, which will be introduced in April 2007, will result in two main changes, which will increase the number of status enquiries:

- at present contractors must obtain a sub-contractor's identification card or certificate only at the start of a contract. From April 2007, contractors will have to verify the tax payment status of a sub-contractor before making any payments; and
- instead of using vouchers to account for payments and tax deducted under the current scheme, contractors will have to make monthly returns, containing a declaration that the contractor is satisfied that payments made in the return are not made under a contract of employment.

5.11 The new construction industry scheme will apply to around 200,000 contractors and 900,000 sub-contractors. Because it will require much more frequent status checks, it is important that HMRC can provide a consistent, easy to use means of making these checks. (It is estimated that the annual volume of enquiries could increase by 250,000 – 500,000.) The ESI tool fulfils this requirement for the vast majority of cases, allowing specialists in HMRC and elsewhere to concentrate on the minority of very complex cases.

Consultation

Within Government

5.12 Early discussions were held with DTI and the Home Office on the need to develop the ESI tool and the possible implications for their work. Both departments were consulted as the earlier versions of the tool were developed.

Public Consultation

5.13 There has been extensive consultation with relevant representative and professional bodies throughout – in particular with construction industry organisations. In addition the ESI tool has been tested by external users on three separate occasions – in July/August 2004, August 2005 and September 2005. One important benefit of this external testing was that we received various suggestions for its improvement, and most of these have been implemented while others may be incorporated in future enhancements.

Options

5.14 Three main options were considered:

Option 1

5.15 Do nothing and continue to rely on Employer Compliance and Status staff to determine status on a case-by-case basis.

5.16 Even without the forthcoming introduction of the new construction industry scheme next year, this was not an attractive option, in view of HMRC's PSA targets and other key business objectives for customer service improvement. The considerable increase in the number of status checks which the new construction industry scheme will necessitate, and the likely inability of HMRC to cope with the increased volume of enquiries, meant that do nothing was not an option.

Option 2

5.17 Extend the deployment of the first version of the ESI tool to contact centre staff. This version was a computer-based interactive guidance tool, but used the less sophisticated 'case based reasoning' approach. It was made available to specialist status and compliance staff in HMRC from 2004, and proved successful, determining status in around 75% of cases. While this first version of the ESI demonstrated the benefits of such a tool it was not considered suitable for non-specialist HMRC staff in contact centres or for deployment on the Internet. It therefore seemed a much less attractive option than...

Option 3

5.18 Develop and deploy an enhanced version of the online ESI tool, using rule base technology, both for HMRC customer advisers and (via the Internet) for external customers and their agents. This was the preferred option because:

- user testing suggests that it will successfully determine status in around 90% of cases;

- it does not require users to have any prior knowledge of employment status rules; and
- when fully developed, it will enable external customers to obtain binding status decisions (provided the information supplied is accurate and complete) without contacting the department.

5.19 This option therefore increases the chances of HMRC meeting its PSA targets and key business objectives for customer service improvement. It also helps HMRC to manage the increase in external contacts which the new construction industry scheme is likely to generate. And it provides an excellent opportunity for HMRC to evaluate the potential application of rule base technology in a 'live' environment, in order to consider the scope for extending it to other areas of the department's business.

Costs and Benefits

Sectors and Groups Affected

5.20 Although the ESI tool can be applied to any contractual relationship, it is likely to be of most relevance to those industry sectors which typically have a high proportion of both employed and self-employed workers – in particular, the construction industry. The tool will make it easier for the majority of people in those sectors to obtain status rulings. The minority of people whose status cannot be determined by the tool will need to be judged by specialist HMRC staff, as before. So no-one will be adversely affected by this change.

5.21 There is no disproportionate effect on any sector or group, and no race, Northern Ireland or other equality impacts.

Benefits

5.22 Employment status determines how much tax and NICs are paid by businesses and individuals. It is important that status decisions are correctly established so that workers pay the right amount of tax and NICs and have access, where necessary, to the appropriate employment rights and benefits. The ESI tool will provide the necessary reassurance to individuals, to employers and to HMRC that status decisions are correct.

Benefits for Customers

- In the vast majority of cases, a reduction in the overall time taken to establish an individual's status;
- Greater consistency and certainty in status determinations where the circumstances are broadly similar;
- Contractors and sub-contractors better able to cope with the reporting requirements of the new construction industry scheme;
- Quicker resolution of disputes about employment status (resulting in some cases in prompter payment of Statutory Payments to employees); and
- Ability to self-serve (for customers who want this) by accessing the ESI tool via the HMRC web site.

Benefits for HMRC

- HMRC faces a substantial increase in the number of status enquiries when the new construction industry scheme comes into effect in April 2007. The ESI tool provides a cost-effective way of handling those enquiries;
- In the vast majority of cases, users (whether HMRC frontline staff or external customers) will be able to answer status enquiries without the need to involve status specialists – freeing up resources for more complex cases and other compliance work;
- Timely and accurate determination of status will help ensure prompt payment to the Exchequer of tax and NICs lawfully due; and
- The ESI tool will improve the management information available to HMRC.

Costs

5.23 The estimated overall costs to HMRC of developing and deploying the ESI tool are in the region of £7 million. This total includes the cost of IT software licences which HMRC will be able to use to develop other interactive guidance materials using rulebase technology. This represents good value for money for the taxpayer.

5.24 But in any event the costs are felt to be justified by the long term savings which the department will realise because:

- it would otherwise have to cope with a substantial increase in the volume of status enquiries, requiring substantial additional resources for contact and enquiry centres and for compliance work;
- the status of taxpayers will be correctly determined at the earliest possible stage; and
- taxpayers will pay the correct amount of tax and NICs from the outset.

5.25 External customers are not obliged to use the ESI tool but those who do are likely to achieve some saving in their compliance costs.

Small Firms Impact Test

5.26 No disproportionate adverse impact on small businesses was identified during the external consultations referred to in options above.

Competition Assessment

5.27 The introduction of ESI is not expected to have any competition effects. This assessment has been derived using the Cabinet Office Filter Test.

Enforcement, Sanctions and Monitoring

5.28 Should HMRC carry out an investigation into anyone's tax affairs and discover in doing so that their employment status has been incorrect, legal sanctions may apply: it may impose interest charges and penalties, in addition to enforcing collection of tax and NICs arrears. Moreover, the new construction industry scheme will require contractors to make monthly returns containing a declaration that no payments

included in the returns have been made under contracts of employment. Incorrect declarations may result in penalties.

5.29 Any penalties imposed will be subject to the usual right of appeal.

5.30 We are able through the management information system which supports the tool to monitor the results from its use.

Implementation and Delivery Plan

ESI was released to HMRC frontline staff on 12 December 2005 and externally on the HMRC Internet site on 19 December 2005. As noted in section 2 above, the version available to external customers only gives a provisional view of status at present. We hope to release an enhanced version of the tool during 2006/07, which will give external customers binding status decisions (provided that the information supplied is accurate and complete).

Post-implementation Review

5.31 HMRC has a programme in place to ensure that the compliance cost assessments made for all Regulatory Impact Assessments are reviewed within two years from when a policy is first implemented. This process may well be rolled out to consider the impact on Operational Impact Assessments in due course. The New CIS Regulatory Impact Assessment will be subject to the normal review after it has been implemented in April 2007.

Summary and Recommendation

5.32 It is essential that individuals, and businesses for which they work, can correctly determine their employment status where this may be unclear – and can do so in the most efficient, consistent and cost-effective manner. HMRC considered various possibilities before deciding that the best option is the interactive online guidance tool – the Employment Status Indicator. This tool has been successfully deployed to HMRC staff and external customers from December 2005.

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OPERATIONAL IMPACT ASSESSMENT**Employment Status Indicator****Statement of Ministerial Approval**

I have read the Operational Impact Assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:



Dawn Primarolo
Paymaster General

Dated: 14 March 2006

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