

# HMRC Powers

## Tax payments, repayments and debts

Three separate changes to the current law will be introduced in Finance Bill 2009 to:

- introduce voluntary managed payment plans (MPPs). These will allow taxpayers to spread their income tax or corporation tax payments equally over a period straddling the normal due dates
- allow HMRC to collect small debts they are owed through the Pay As You Earn (PAYE) system
- provide a third party information power requiring companies and businesses to supply HMRC with contact details for people who are in debt to HMRC with whom they have lost contact.

Making MPPs available requires necessary changes to HMRC's computer and accounting systems and therefore they will not be introduced before April 2011. The collection of small debts through PAYE will also require changes to HMRC's systems, and is likely to begin from April 2012.

The third party information power to trace missing debtors will have effect on and after the date that Finance Bill 2009 receives Royal Assent.

## Compliance checks

Legislation will be introduced to apply the compliance checking framework that has recently been introduced for the main taxes to all other taxes which HMRC administers.

The legislation will apply to the environmental taxes (aggregates levy, climate change levy and landfill tax), IHT, insurance premium tax, SDLT, stamp duty reserve tax and petroleum revenue tax.

The compliance framework will consist of the following elements:

- aligned record-keeping requirements
- new inspection and information powers including a modernised HMRC valuation power
- better aligned time limits for making tax assessments and claims.

The record-keeping requirements, information and inspection powers are intended to have effect from 1 April 2010. Time limits for making assessments and claims need a transitional period and are not expected to become fully operative until 1 April 2011.

## Late filing and late payment

Legislation will be introduced to reform penalty regimes for late filing of tax returns and late payment of tax. The new regimes will replace the current variety of penalties and will treat late payment and late filed returns separately.

The filing and payment obligations covered include those where the obligation to file or pay is annual (e.g. income tax and corporation tax) or occasional (e.g. IHT) and in addition taxes and deductions collected through the PAYE system and Construction Industry Scheme (CIS).

Whilst the obligations are broadly aligned across the taxes they are modified for PAYE and CIS.

Penalties will be applied for the first time to all employers who are late in making monthly PAYE and NICs payments and companies paying corporation tax late. There will be provisions for removing late payment penalties where taxpayers have agreed a time to pay arrangement with HMRC, whilst creating a more robust response to prolonged and repeated delay.

Implementation of the new penalties for late filing and late payment requires changes to HMRC's computer systems and is to be staged over a number of years, starting with penalties for late payment of 'in year PAYE' from April 2010.

## **Interest harmonisation**

Legislation will be introduced to create a harmonised interest regime for the first time for all taxes and duties administered by HMRC, with the exception of corporation tax and petroleum revenue tax.

The legislation will make provision for the automatic setting and implementation of interest rate changes. This will replace the current range of interest regimes. HMRC will still be allowed to charge a higher rate of interest on late paid tax than they pay on late repayments.

Implementation of interest harmonisation again requires changes to HMRC's computer systems and is to be staged over a number of years. Interest on late payments of 'in year PAYE' is expected to be introduced from April 2010.

## **Deliberate tax defaulters**

Legislation will be introduced to enable HMRC to publish the names and details of individuals and companies who are penalised for deliberate defaults leading to a loss of tax of more than £25,000. Names will not be published of those who make a full unprompted disclosure or a full prompted disclosure within the required time.

The new provisions will be brought in from a date yet to be announced.

## **Tax simplification**

A tax simplification measure will be introduced to permanently align the three-line account threshold for income tax self assessment with the VAT registration threshold. This will enable around an additional 800,000 businesses to submit shorter tax returns.

## **HMRC Charter**

Legislation will be introduced in Finance Bill 2009 requiring HMRC to prepare and maintain a Charter. The Charter will set out standards of behaviour and values to which HMRC will aspire in dealing with taxpayers and others. The Charter must be in place by 31 December 2009.