



Digital by Default

Consultation document

Publication date: 8 August 2011

Closing date for comments: 31 October 2011

Subject of this consultation:

This consultation considers the next steps in making Her Majesty's Revenue and Customs (HMRC's) Registration Wizard the digital by default channel to get set up for the main direct business taxes (Corporation Tax, Income Tax Self Assessment/Class 2 NICs, PAYE). It is part of the "One Click" programme of work in HMRC to accelerate the move to delivery of services through online channels.

There is also an opportunity to comment on a number of other areas. XBRL tagging and small repayments are discussed on Corporation Tax and how we can improve our service on ceasing businesses for Income Tax and PAYE. The consultation also asks for views on providing e mail addresses as part of a business's designatory data.

A separate but linked consultation on indirect tax, specifically VAT aspects is also launched today.

Scope of this consultation:

Moving transactions online as the default channel is part of wider Government policy. This consultation builds on the announcement by the Minister for the Cabinet Office, Francis Maude on 23 November 2010 and the follow up announcements in HMRC's Overview of Tax Legislation and Rates¹ and the Growth Review² in the 2011 Budget.

It explores options for moving notification of business tax registration processes for each of the main business taxes to online channels. This is an opportunity to influence:

- the way the shift might most effectively be achieved for each tax;
- how to ensure no one is left behind and that the right support and education is in place;
- treatment of special cases.

Who should read this:

- Anyone considering starting a new business that would be taxable in the UK, their agents and other advisers;
- Individuals and companies who are currently required to make a return of income to HMRC under self assessment;
- Their agents or advisers;
- Those operating PAYE schemes or other payroll services;
- Third party providers of payroll software, providers of payroll services, employers and pension schemes;
- Developers and providers of Corporation Tax and Income Tax Self Assessment software.

This document should also be read in conjunction with the parallel consultation issued today covering indirect tax aspects – VAT: consultation on the next steps for moving VAT online.

Duration:

8 August 2011 to 31 October 2011

Lead Official

Mark Kelly. Her Majesty's Revenue and Customs.

¹ Paragraph 3.68

² The Plan for Growth – March 2011. Paragraph 2.55

How to respond and Enquiries:

Please respond in the first instance to:
keith.wear@hmrc.gsi.gov.uk

or by post to:

Keith Wear
Room BP7201
Benton Park View
Newcastle Upon Tyne
NE981ZZ

Telephone enquiries – Keith Wear 0191 2250379

**Additional ways to become involved:
After the consultation:**

HMRC are happy to meet and speak to interested parties. Please channel requests for such meetings through Keith Wear, above.

Subject to Ministerial approval, a summary of responses will be published on the HMRC website.

Responses to this document will be considered before the issue of any draft legislation or other material.

Getting to this stage:

This is the first opportunity since the consultation on the reforms arising from Lord Carter of Coles' 2006 Report³ to influence the operation of the digitalisation of the business tax processes.

³ [Review of HMRC Online Services](#). March 2006

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1. Introduction

- 1.1 Quality services delivered online have the power to transform the relationship between government and citizens because the services are better tailored, more convenient and more efficient.
- 1.2 Lord Carter's 2006 Review⁴ set a vision for HMRC to move filing of business tax returns to online channels. This put HMRC at the forefront of digital service delivery in Government. The ambitions set out by Lord Carter have largely been fulfilled with projects delivered to time and budget. Take up rates of online services are as good as, or better than predicted and have allowed customers to file online reliably and largely without problems.
- 1.3 The Coalition Agreement of May 2010 included a commitment to reduce the number of forms needed to register a new business and move towards a 'one-click' registration model making the UK one of the fastest countries in the world to start a new business.
- 1.4 Martha Lane Fox as the Government's digital champion took this a stage further and argued for a channel shift that would increasingly see public services provided 'digitally by default' where government services will increasingly be designed for a digital age with quality online services the default option⁴. This will lead to the services being both more convenient and cheaper, and better and more personalised. Groups that are less able to access the internet: will not be left behind.
- 1.5 These are part of a range of measures to simplify and strengthen digital government, to improve quality, and consequently use, of online channels.

⁴ [Review of HMRC Online Services](#), March 2006

⁵ 23 November 2010. Directgov 2010 and Beyond: Revolution Not Evolution.

2. Digital by Default

Introduction

- 2.1 HMRC's strategy for administering business taxes, particularly for small and medium enterprises (SMEs) has focussed increasingly on moving contact from a paper/manual procedure, to one that is automated and online. Lord Carter of Coles' 2006 Report⁶ constituted a milestone in that transition, recommending the mandation of many business tax administrative procedures to online channels.
- 2.2 In responding to a report⁷ by the Government's digital champion Martha Lane Fox, the Minister for the Cabinet Office, on 23 November 2010 announced a decisive shift from a neutral 'multi-channel' approach, toward one where people are actively encouraged to use digital online channels for public services - Digital by Default.
- 2.3 As part of its "One Click" programme, HMRC is bringing together the online registration process for all business taxes. From April 2012, this will enable businesses to use a single, interactive online facility (Registration Wizard) to register for multiple taxes and HMRC's online services.
- 2.4 In his announcement on Digital by Default, the Minister for the Cabinet Office announced HMRC's Registration Wizard would be one of the first of these initiatives. HMRC would make it easier and quicker for businesses to deal with the tax authorities using online services as the norm and from 2013 to only use Registration Wizard to tell HMRC online when they start their business activity for the purposes of Self Assessment and Corporation Tax. Employers will also be expected to use the online channel to obtain their PAYE scheme number and to ensure that they can operate PAYE accurately from the first pay day. HMRC would consult fully on these changes.
- 2.5 This document is part of the consultation and focuses on direct taxes Corporation tax (CT), Income Tax Self Assessment (ITSA) and Pay as You Earn (PAYE). Class 2 National Insurance Contributions (C2 NICs) as integral to the ITSA process is also included. A parallel consultation document (VAT: consultation on the next steps for moving VAT online) also launched today, seeks views on Digital by Default aspects of Value Added Tax (VAT).

⁶ [Review of HMRC Online Services](#), March 2006

⁷ 23 November 2010. Directgov 2010 and Beyond: Revolution Not Evolution

- 2.6 Announcements on Digital by Default were included in the Growth Review⁸ published in the 2011 Budget and in HMRC's Overview of Tax Legislation and Rates. Dates for Digital by Default consultation have been incorporated into HMRC's SRP (Structural Reform Plan) milestones which are published on the Number 10 website.
- 2.7 HMRC is also undertaking a wider review of all its online and digital activities in the light of Digital by Default. Responses to this consultation will inform that review.

Assisted into Digital

- 2.8 The Minister for the Cabinet Office also said:

"The shift towards online services has the power to transform the relationship between Government and individuals.....This does not mean we will abandon groups less likely to access the internet: we recognise that we cannot leave anyone behind. Every single Government service must be available to everyone – no matter if they are online or not."

The consultation seeks views on the best way to provide cost effective support and assistance (and publicising it).

Digital by Default – In the context of tax

- 2.9 Lord Carter's Report⁹ argued the case for achieving wholesale take up of online channels through legislation and there is no doubt his proposals have achieved their objective and changed attitudes. 99.9 per cent of VAT customers mandated to file online from April 2010 (ie those with turnover over £100,000/new registrations) did so. Mandation of Corporation Tax online filing (from April 2011) has also been successful.
- 2.10 Even online filing of Income Tax Self Assessment (ITSA) returns, which were not mandated, currently stand at between 75 per cent and 80 per cent (and rising). This has been achieved through stable, responsive online services that people trust, coupled with the incentive of a later deadline for online filing.
- 2.11 We have also seen involvement of third party commercial software suppliers. Over 85 per cent of CT returns, about 60 per cent of ITSA and about 97 per cent of PAYE end-of-year returns are submitted via commercial software. We estimate that approximately 1.6m employers and businesses use commercial software to calculate and submit returns to HMRC.

⁸ The Plan for Growth – March 2011. Paragraph 2.55

⁹ [Review of HMRC Online Services](#). March 2006

- 2.12 This consultation affords an opportunity to consider the next steps in the context of Digital by Default where public services will be designed to use digital technologies unless there are compelling reasons not to do so and digital will be the default means of accessing those services. Online engagement is for many voluntarily already the default channel. We want to encourage that migration further and are seeking views on how that can best be achieved

What this consultation is not seeking to cover

Non businesses

- 2.13 Registration Wizard is intended as a tool for SME businesses to meet their tax obligations so we are primarily looking at impacts on this sector. We are mindful that there is a possible impact on the non-business Self Assessment population and entities that are subject to Corporation Tax but are not companies, but we are not at this juncture focussing on these areas.
- 2.14 Entities such as trusts, foundations, limited partnerships, limited liability partnerships (LLPs), unincorporated associations or permanent establishments are also not considered in this consultation, although the consultation document VAT: consultation on the next steps for moving VAT online, also published today, may be relevant to them.

3. Corporation Tax (CT)

Current position

- 3.1 Company registration is dealt with by Companies House. About 300,000 new companies are incorporated each year which was made simpler and easier, when last April a new online incorporation service was launched. HMRC receives an automatic notification from Companies House of each new incorporation and sends out a paper form to tell the company its Unique Tax Reference (UTR) for Corporation Tax (CT).
- 3.2 A company is required to tell HMRC when an event happens that brings it within the charge to CT. Usually this is when it begins trading (or re-commences trading after a period of inactivity). The company is required to supply specified information within three months of that event. Registration Wizard will provide an optional online channel to supply this information from April 2012 streamlining this information gathering.
- 3.3 There are two approaches to making Registration Wizard the default channel for business customers to tell us online when they start their business activity - statutory mandation or promoting the online channel in preference to other channels.
- 3.4 Statutory mandation would follow the Lord Carter model. While appropriate for filing, that would necessitate policing, adding to burdens for business and resource costs for HMRC.
- 3.5 A non-statutory approach might involve the withdrawal of paper (or pdf online equivalents) templates for supplying specified information. The information would still be accepted if sent in a letter, but we would steer companies towards the online Registration Wizard option.

Question 1:

HMRC would welcome views on the balance between a statutory and non statutory approach to making the digital channel the default option for obtaining CT information?

Question 2:

If respondents favour a non statutory approach, we would welcome suggestions on the most effective way this might be achieved?

Assisted into Digital

- 3.6 We should ensure no-one is left behind. HMRC will provide guidance and help that is clear and easy to find but the driving force should be about helping people use online channels, not just providing them with a paper alternative. The paper alternative should be the channel of last resort where the customer is unable to use the online channel.

Question 3:

We would welcome views on getting the balance right between the spirit of Digital by Default and providing an 'Assisted into Digital' alternative in a narrow range of cases

Question 4:

Are there particular groups for which CT Digital by Default will impact more heavily? What mitigation strategies might assist?

Timeline

- 3.7 Registration Wizard will be available for use from April 2012 and will become the default channel during 2013. When we have analysed responses to this consultation, we will consider what changes for digital delivery and automated data flows are appropriate. We will consult further if needs be on the details, including the scope of changes and when they should be introduced.

XBRL tagging of company accounts

- 3.8 Under mandatory online filing for CT, computations and accounts that form part of a Company Tax Return have to be tagged using Extensible Business Reporting Language (XBRL). Any of the items might be of interest to HMRC. As a practical transitional measure for the period to 2013, however, minimum tagging lists were published to reduce the amount of detailed coding work facing some software developers in producing the first generation of XBRL-based online filing products. This struck a balance between HMRC's needs in ensuring effective compliance and the costs involved in the initial development of appropriate products.
- 3.9 The minimum tagging lists cover only about a quarter of all the items in the full XBRL accounts taxonomy. This is unlikely to meet HMRC's longer term needs, for example in better selection of cases for enquiry. And some software developers are already well advanced in their plans. But there may be a case for extending the life of minimum tagging lists for accounts information beyond 2013. The minimum tagging list for computations, however, is already fairly comprehensive and unlikely to require significant change, subject to changes in the law, for a long time. In any event, HMRC would not make any significant change to the minimum tagging lists for either accounts or computations without allowing adequate time for consultation.

Question 5:

HMRC would welcome views on the considerations that should be taken into account when deciding the period for which the minimum tagging list for accounts should continue to apply?

Small repayments

- 3.10 There is a cost for HMRC in processing a payment it makes and there can be a cost for the customer when a payment is received. In 2010-11, HMRC made around 385,000 payments in relation to CT, including payments of credit interest. About 60 per cent were for amounts less than £20. Many were by payable orders that were never presented.
- 3.11 At present, HMRC offers a facility that allows a company to opt not to receive a payment of less than £20 (or any other amount specified by the company) when the payment is deferred until a larger amount builds up. This facility is not widely used.
- 3.12 It is cheaper and more efficient for both business and HMRC if payments are made electronically. HMRC makes CT payments electronically whenever a company has supplied the appropriate bank details for electronic transfers but even so, some 90 per cent (by number) of CT payments currently made by HMRC are still made by payable order. One reason for the high percentage is that some companies are not willing to give the appropriate bank details to agents acting for them, and some agents are unwilling to take on that responsibility. There would, nevertheless, be advantages in reducing costs for businesses and HMRC in moving to a greater proportion of electronic payments.
- 3.13 HMRC would welcome views on two alternatives for making the deferral of CT payments below a specified amount, the default position. Either:
1. no payment under a specified amount would be made (unless the company requested it). In effect, small payments would be deferred automatically; or
 2. payments under a specified amount would be made automatically by electronic means if the company had provided bank account details or deferred where no bank details are provided (subject to a specific request for repayment by payable order).

Question 6:

HMRC would welcome views on these two alternatives

Question 7:

What might be an appropriate specified amount, under such a proposal? Would £250 seem a sensible level?

Question 8:

HMRC would welcome views on how to get more companies to supply details that would allow them to receive electronic payments for any amount as a default, without compromising any essential security or other considerations

Email addresses

- 3.14 The administration of CT relies heavily on documents exchanged by post. Moving to electronic means of communication has benefits for business, HMRC and the environment. HMRC's IT capability to send mass e-mails is being built and will be available after April 2012.
- 3.15 To make the facility work, HMRC has to have e-mail addresses. At present providing an e-mail address is optional. HMRC would like to extend this to make provision of an e-mail address part and parcel of the designatory data a company provides. This would require amendment to secondary legislation.

Question 9:

Are there circumstances where HMRC should not require an e-mail address as part of a company's designatory details?

4. Income Tax Self Assessment (ITSA)

Current position

- 4.1 When an individual commences a trade (or becomes a partner in a partnership) chargeable to tax under Income Tax Self Assessment (ITSA) they are obliged to notify HMRC of their self-employment within six months of the end of the tax year in which they start. Unlike CT there is no equivalent feed to HMRC from Companies House and accordingly there is no trigger for HMRC to send out any notice to the business to seek information.
- 4.2 The onus then is on the business to notify HMRC and supply such information as is required to get their business activities set up for tax. This is normally performed by completing a Form CWF1 (either paper version or online pdf) or in the case of a partner, form SA401.
- 4.3 Registration Wizard will provide an online alternative (broadly approximating to an online CWF1). In this respect, the questions that arise on ITSA have a degree of overlap with those on CT. Unlike CT, ITSA (alone among the main business taxes) has no requirement to file returns online, and there are no plans for this to change, yet online filing accounts for close to 80 per cent.

Question 10:

HMRC would welcome views as between a statutory and non statutory approach to making the digital channel the default option for registering for ITSA?

Question 11:

If respondents favour a non statutory approach, we would welcome suggestions on the most effective way this might be achieved?

Assisted into Digital

- 4.4 If HMRC proceed down the non-statutory track of Digital by Default rather than a legislative approach, no-one should be left behind. This is particularly acute for ITSA, which has a generally lower proportion of internet penetration.
- 4.5 HMRC should make guidance and help clear and easy to find. As with CT, within funding constraints, the onus will be on helping people into online channels, not providing them with a ready alternative. A paper alternative will inevitably have to exist, but it should be used as a last resort where the customer is unable to use the online channel.

Question 12:

We would welcome views on how HMRC can best provide an ‘Assisted into Digital’ support?

Question 13:

Are there particular groups for which ITSA Digital by Default will impact more heavily? What mitigation strategies might assist?

Timeline

- 4.6 Registration Wizard will go live and be available for use from April 2012 and will become the default channel from 2013. When we have analysed responses to this consultation, we will consider what changes for digital delivery and automated data flows are appropriate. We will consult further if needs be on the details, including with greater knowledge of what the changes entail and when they would be introduced.

Email addresses

- 4.7 As with Corporation Tax, there are great advantages to both HMRC and business and the environment from moving communication to online channels away from post.

Question 14:

Are there circumstances where HMRC should not require an email address as part of the requirements for registering for ITSA?

Ceasing businesses

- 4.8 Currently there is no ITSA ‘de-registration’ process. HMRC rely on submission of the ITSA return for the cessation year – in some cases this could be 22 months after the business ceased. Often the return is late or never submitted, meaning expensive administration in the meantime for generally little tax. It is messy and adds to the frustration for the former business person possibly trying to move on. The process appears to belong to a different era, bearing in mind for example, the forthcoming introduction of automatic late filing penalties for all late returns for 2010/11 onwards.

Question 15:

HMRC would welcome views how best to proceed in this sensitive area when one timely notification could save much wasted administration and circumvent considerable anxiety

Non businesses activities

- 4.9 It is not just business profits that are taxed within ITSA – the regime also covers employment income and income from investments or pensions. Registration Wizard is not designed with these customers in mind, so making it the Digital by Default channel is not appropriate. As the issue in question is solely about registering a business for tax, we do not see major scope for confusion.

Question 16:

How can HMRC best ensure only those registering for self-employment go to Registration Wizard?

5. Pay as you Earn (PAYE)

- 5.1 The Minister for the Cabinet Office's announcement said employers will be expected to use the online channel to obtain their PAYE scheme number and to ensure that they can operate PAYE accurately from the first pay day.
- 5.2 The current registration process is primarily a telephone based service although there is also a facility to send HMRC an e-mail with the relevant details to get set up for PAYE. A requirement to "register" is not set out in legislation. Filing of end-of-year returns is (in most cases mandated online).
- 5.3 The Digital by Default objective is for all prospective employers (and existing employers adding a further scheme) to register online. The principles set out above on CT and ITSA apply equally to PAYE. Registration Wizard will be the registration tool of choice, but HMRC will maintain other channels for those customers who need help. Real Time Information (RTI) for PAYE will lead to significant changes in the way PAYE is administered from April 2013.
- 5.4 In practical terms, many PAYE schemes, particularly small schemes are administered by independent third party payroll agencies. These service both business and non-business clients. HMRC will work with representative bodies to ensure a viable product for these key users.

Ceasing businesses

- 5.5 As with ITSA (paragraph 4.8 above), there is no employer 'de-registration' process. HMRC rely on submission of the employer return for the cessation year – in some cases this could be 13 months after the business ceased. Often the return is late or never submitted, meaning expensive administration in the meantime for generally little tax. This can add to the frustration for the former businessperson possibly trying to move on.

Question 17:

We would welcome views how best this might be handled when one timely notification could save much wasted administration and circumvent considerable anxiety

- 5.6 It is not just businesses who have employees, non profit making organisations and domestic concerns are also required to operate PAYE on employees. Some of these customers will be able to use Registration Wizard to register for PAYE however, at this stage it is not intended to make it the digital by default channel for these customers.

6. Class 2 National Insurance Contributions (C2 NICs)

- 6.1 When an individual commences self employment (or becomes a partner in a partnership) they are obliged to notify HMRC and register to pay the Class 2 NICs “immediately”. However, any penalty for the failure is limited to lost contributions on the following 31 January. This is also done on the form to register self employment (form CWF1 (or SA401 for a partner)). As Class 2 NICs registration uses the process functionality of ITSA, proposals to make it Digital by Default are likely to be covered on ITSA and any changes to ITSA processes will likely automatically apply to Class 2 NICs.

Question 18:

Are there any particular issues for Class 2 NICs?

7. Tax Impact Assessment

Summary of impacts

In line with the Government's Tax Consultation Framework, this chapter sets out HMRC's current assessment of the impacts of the proposed changes under consideration.

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	Negligible	Negligible	Negligible	Negligible	Negligible
	<p>This change is not estimated to have any more than a marginal impact on the tax gap. Customers who do not register for taxes now, are unlikely to change behaviour because an optional online channel becomes a Digital by Default channel.</p> <p>There is some suggestion that steering customers to online registration will increase the numbers using this channel thereby improving data quality which will in time feed into potential yield. Quantifying this prior to seeing the final Registration Wizard product in place would be extremely difficult.</p> <p>Note – the contrast here with the VAT changes. The changes there comprise making the entire end-to-end process Digital by Default as opposed to just registration here.</p>				
Economic impact	No significant economic effects are expected.				
Impact on individuals and households	There is no impact on individuals and households as such as the impact falls on businesses. However to the extent businesses can include individuals and households, there may be a marginal impact but it is not quantifiable.				
Equalities impact	<p>The Equality Impacts are in the process of completion and will be finalised once consultation has taken place. However, it is HMRC's initial assessment that the number of customers with a disability that will impair their ability to use the online portal will be low. In most cases, the business in which they are working will consist of more than one individual, one of whom might need additional or alternative support, but the rest will not.</p> <p>Also, the initial assessment is that the move to the Digital by Default use of the online portal does not present any potential discrimination issues with regard to age, gender, race (except language) sexual orientation, marital status, political opinion or those with dependents. However, we would welcome evidence from anyone who believes that this is not the case.</p>				
Impact on businesses and Civil Society Organisations	The measure is expected to reduce administrative burdens on business and improve their experience of dealing with HMRC. While it is complex to assess these savings, we will continue to quantify the impacts during this consultation period. The full impact will be finalised once this consultation has taken place.				

<p>Operational impact (£m) – [HMRC or other]</p>	<p>The measure should deliver some small staff savings by increasing take up of online registration (albeit from an expected high base) thus reducing the amount of paper processing. There may also be some knock on benefits from online registration maturing a higher proportion of customers into online filers for ITSA. These benefits will be firmed up in the light of the responses to the consultation.</p>
<p>Other impacts</p>	<p><u>Competition Assessment</u> - HMRC does not anticipate any major effects on competition or competitiveness.</p> <p><u>Small Firms Impact Test</u> – Only new small businesses and those registering for a new tax are likely to be affected by the proposal. There is a potential issue that rural businesses may only have access to slower dial up internet but otherwise there is no geographical or trade sector differentiation.</p> <p>Responses to consultation with small businesses that was launched by HMRC in March 2005 indicate that small businesses are willing to conduct business with HMRC electronically provided that online services are reliable, easy to access and simple to use. Research conducted during summer 2008 shows that over 90 per cent have access to a computer at work or home.</p>

Question 19:

On the basis of information in this document do you have any comments on the assessment of impacts?

8. Summary of Consultation Questions

1. HMRC would welcome views on the balance between a statutory and non statutory approach to making the digital channel the default option for obtaining CT information
2. If respondents favour a non statutory approach, we would welcome suggestions on the most effective way this might be achieved
3. We would welcome views on getting the balance right between the spirit of Digital by Default and providing an 'Assisted into Digital' alternative in a narrow range of cases
4. Are there particular groups for which CT Digital by Default will impact more heavily? What mitigation strategies might assist?
5. HMRC would welcome views on the considerations that should be taken into account when deciding the period for which the minimum tagging list for accounts should continue to apply?
6. HMRC would welcome views on these two alternatives
7. What might be an appropriate specified amount, under such a proposal? Would £250 seem a sensible level?
8. HMRC would welcome views on how to get more companies to supply details that would allow them to receive electronic payments for any amount as a default without compromising any essential security or other considerations
9. Are there circumstances where HMRC should not require an email address as part of a company's designatory details?
10. HMRC would welcome views as between a statutory and non statutory approach to making the digital channel the default option for registering for ITSA
11. If respondents favour a non statutory approach, we would welcome suggestions on the most effective way this might be achieved
12. We would welcome views on how HMRC can best provide an 'Assisted into Digital' support
13. Are there particular groups for which ITSA Digital by Default will impact more heavily? What mitigation strategies might assist?
14. Are there circumstances where HMRC should not require an email address as part of the requirements for registering for ITSA?

15. HMRC would welcome views how best to proceed in this sensitive area (cessation) when one timely notification could save much wasted administration and circumvent considerable anxiety
16. How can HMRC best ensure only those registering for self-employment go to Registration Wizard?
17. We would welcome views how best this might be handled (cessation) when one timely notification could save much wasted administration and circumvent considerable anxiety
18. Are there any particular issues for Class 2 NICs?
19. On the basis of information in this document do you have any comments on the assessment of impacts?

9. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are five stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 2 of the process and seeks views on the detailed policy design and a framework for implementation of a specific proposal, rather than to seek views on alternative proposals.

How to respond

A summary of the questions in this consultation is included at chapter 10.

Responses should be sent by 31 October 2011, by e-mail to keith.wear@hmrc.gsi.gov.uk or by post to:

Keith Wear
Room BP7201
Benton Park View
Newcastle Upon Tyne
NE981ZZ

Telephone enquiries – Keith Wear 0191 2250379

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from the HMRC Internet site at <http://www.hmrc.gov.uk/consultations/index.htm>. All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

The Consultation Code of Practice

This consultation is being conducted in accordance with the Code of Practice on Consultation. A copy of the Code of Practice criteria and a contact for any comments on the consultation process can be found in Annex A.

Annex A: The Code of Practice on Consultation

About the consultation process

This consultation is being conducted in accordance with the Code of Practice on Consultation.

The consultation criteria

1. When to consult - Formal consultation should take place at a stage when there is scope to influence the policy outcome.
2. Duration of consultation exercises - Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.
3. Clarity of scope and impact - Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.
4. Accessibility of consultation exercise - Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.
5. The burden of consultation - Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
6. Responsiveness of consultation exercises - Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.
7. Capacity to consult - Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you feel that this consultation does not satisfy these criteria, or if you have any complaints or comments about the process, please contact:

Richard Bowyer, Consultation Coordinator, HMRC Better Regulation and Policy Team 020 7147 0062 or e-mail hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk