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C Connor
HMRC

By email to: responsivenessdataconsultation@hmrc.gov.uk.

Dear Sir/Madam

Open consultation: Improving the data HMRC collects from its customers.

The IoD is an independent, non-party political organisation representing 20,000 company directors, senior business leaders, and entrepreneurs, typically running small to medium sized businesses in all parts of the UK. It is the UK's longest-running organisation for professional leaders, having been founded in 1903 and incorporated by Royal Charter in 1906. Its aim is to promote good governance and ensure high levels of skills and integrity among directors of organisations. It campaigns on issues of importance to its members and to the wider business community with the aim of fostering a climate favourable to entrepreneurial activity in the UK.

We welcome the opportunity to respond to the open consultation on improving the data HMRC collects from its customers.

The stated purpose of the consultation is to seek views on proposals to collect additional data from employers and the self-employed around their business sector (SIC code), occupation of employees and self employed (SOC code), location of businesses, hours employees work, dividends paid to shareholders in owner managed businesses and the start and end dates of self employment.

Please find below our response to the individual questions laid out in the consultation. As a Business Representative Organisation we are responding with our best understanding of how the issues laid out in the consultation would be viewed by our members, bearing in mind the policy objectives behind any proposed changes.

Summary of the IoD's view

Across all of the options, we would like to understand which would be the most useful and would offer the most benefit for businesses and taxpayers. Do you think the options for collecting additional data we have prioritised here are the right ones, and are there any other areas where collecting more, better or different data would support tax administration and/or broader public service delivery?

The IoD supports the general principle of government collecting the data required to best support policy intentions. There are some suggestions, however, in this consultation where the link between

policy intent and data collection are not immediately apparent. For example, the proposal to collect SOC data of all employees appears disproportionate particularly when ONS datasets (ASHE, LFS and Understanding Society) survey provides sufficient information for research purposes, for example to identify correlations between education, income and hours worked. If the purpose is to identify skills shortages through RTI, our proposal is that it is details on skills shortages, not occupations of those employed that which should be required instead. So employers should be asked to identify the skills they need, but have had trouble obtaining, rather than the skills that are already in-house. That would be extremely useful, less onerous and would also achieve greater buy-in from employers.

If the policy aim is to target training to the lowest paid, it would make more sense to work through DWP to obtain occupation details of, for example, universal credit recipients, so that support can be targeted to the individual.

Similarly, while it would be certainly useful to obtain details on location, this is already provided to HMRC through the parallel programme on the digitalisation of business rates that links company data to specific premises. It would be extremely onerous to require firms to give details of precisely where each member of staff was located, and would also be inappropriate in cases where individuals are working remotely. Instead it would be more useful to ask about the location that a specific skill was in short supply. Depending on the nature of the occupation, this may be within a particular location (e.g. where a physical presence is required) or across the UK.

In general, information should not be required in one form for one part of government and either repeated or in a different form for another. And information should not be required from all individuals or entities if the policy aim can be achieved through ONS surveys.

Answers to individual questions

Question 1: Within this option, should HMRC prioritise improving self-employed data as set above, or another customer segment (e.g. employers, companies, partnerships, businesses registered for VAT)?

Ideally if information is being provided to one part of government already, such as Companies House, then data permissions should be used to populate the necessary fields for HMRC without needing to request the information again.

If it is necessary to ask for the information again, the most important thing is that the same information should be requested across government. Given a specific SIC code is required for Companies House, then it would be odd to allow a free text option for HMRC as well as potentially leading to conflicting data points; the data required should be the same in both cases.

If it is a choice between a longer or shorter SIC code, then the shorter is preferable. But it is more important that the same SIC code should be required across government.

Once the least onerous option has become established and optimised for registered companies, then it can be rolled out to non-registered sole traders. It is not desirable to introduce any changes to unincorporated entities as a starting point because they are most likely to find compliance onerous.

The issue of ASHE not collecting self-employed data should be addressed through an additional ONS survey of sufficiently large sample size, not through mass collection of information through the tax system.

Question 2: Are there any areas of the tax system where HMRC's collection of sectoral data could be streamlined or where we could collect this information in a different way? In particular, does your business provide sectoral data to HMRC (or other parts of government) in more than one place (for example, to HMRC through both VAT and Self Assessment; or to HMRC and to Companies House)?

See answer to question 1.

Question 3 – for taxpayers and their agents: How easy or difficult are SIC codes to use for your business? What would make it easier for your business to find and input your SIC code(s)? What level of SIC would be most appropriate (i.e. three or four digits)? Do you prefer using the full version from the Office for National Statistics, or the condensed version used by Companies House?

The shorter the SIC code the easier it is to work out the correct classification. Therefore a condensed code is preferable to a full version. There should be no difference between the code required for Companies House and the code required for other parts of government. Having two different codes would lead to confusion. Once a business has spent time working out its SIC code, it makes no sense to then ask them to work out another one.

Question 4 – for software providers: How easy or difficult would it be for you to incorporate SIC codes into your software, in a way that is easy for your customers to use?

n/a

Question 5: Would you find this information useful, if published in an anonymised form by the government (potentially linked with other datasets, such as salary, qualification or location information)?

No, we would not find this information useful. The data provided by ASHE is sufficient for our needs. It would be more useful if RTI was used to collect information about any specific skills shortages that the organisation is experiencing. So, rather than require SOC codes for employees, the system would instead require information, either through a drop-down SOC code menu or census-style free-text boxes, for skills that employers are finding it difficult to recruit for. That would get to the heart of the issue in a way that is more useful for policymakers and education providers.

In terms of achieving the desired policy outcomes it may be more useful and less of a burden on business to collect occupation data from those on lower incomes, for example as a condition of receiving universal credit, possibly using census-type free text boxes. That would enable specific interventions to match the skills of those on lower incomes with skills shortage areas.

Question 6 – for employers/payroll providers: How easy or difficult would you find it to categorise each of your employees by occupation? If you have used SOC codes previously, how easy or difficult to use, and what, if any, challenges do you find with them? Do you have any suggestions as to how we could modify or design this option in a way that minimises costs?

It would be very difficult and time consuming. Instead, as described above we propose collecting data on skills shortages, rather than the occupation code of current employees.

Question 7 – for the self-employed/their agents: How well do SOC codes describe your [/your clients'] occupation?

It may be that SIC codes are more relevant for the self-employed, subject to the suggestion around gathering occupation data for people on lower incomes (question 5).

Question 8: How easy would it be to extract job titles from existing payroll systems into RTI?

We are concerned that this may be very costly and lead to data that is not particularly useful as job titles are not standardised across the economy.

Question 9: Within location data, is HMRC correct to prioritise improving data on businesses with multiple locations, and on the location of real economic activity?

Our view on obtaining location data is that this is best addressed through the parallel project on the digitalisation of business rates, which will link up HMRC company data with VOA property data. It should not be up to business to supply data to government more than once.

Question 10: Are there any areas of the tax system where HMRC's collection of location data could be streamlined or where we could collect this information in a different way? In particular, does your business provide detailed location data (e.g. covering multiple branches of your business) to HMRC (or other parts of government) in more than one place? Which avenue do you find the least burdensome?

Our view on obtaining location data is that this is best addressed through the parallel project on the digitalisation of business rates, which will link up HMRC company data with VOA property data. It should not be up to business to supply data to government more than once.

Question 11: How easy or difficult would it be for your business [or, for agents, your customers] to provide work location information for each employee through RTI?

We have not explored this option in detail but it is likely to be hugely complicated by the shift to hybrid/remote working.

Question 12 – for payroll providers: How easy or difficult would it be for you to modify your software/your service to allow for the provision of work location information for each employee?

n/a

Question 13: How easy or difficult would it be to provide information on specific hours worked and/or actual hours worked?

Extremely difficult. This data is best obtained through ASHE.

Question 14: How predictable are the hours of your employees? How often do you use category e) hours worked ('no regular pattern'), and what for? For example, pension payments or irregular working patterns (and if so what type of irregular pattern)?

n/a

Question 15: Do you agree that building on the pre-existing definition of a close company is the best approach? Are there any other approaches you would prefer?

We understand that there is a good policy motivation to understand the extent to which dividend income comes from owner-manager companies. Building on the pre-existing definition of a close company may be a good approach, or simply asking individuals to split out dividend income between companies where they have control over the allocation of dividends, against income where others have made the decision around how profits are distributed.

Question 16: How great would the administrative burden be for you or your customers in splitting out dividend income from controlled companies and/or determining the percentage of shareholding in that company?

The burden is unlikely to be great because in practice the individual is likely to have aggregated dividend income from different sources to arrive at the total amount in the first place.

Question 17: How easy or difficult would it be for you/your clients to identify the dates that your business/your client's business started and ended trading within a tax year?

It would not be prohibitively onerous to identify the start/end day of trading, because the date has been already determined through an active decision on the part of the individual. However if that date has already been provided to another part of government, for example through VAT or Companies House returns, then it would be preferable for that to be pre-populated. As a general principle, economic entities should not have to provide the same information to government more than once.

I hope this response is of use. We would be happy to discuss it further

Yours sincerely

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