
REVIEW OF HMRC POWERS, DETERRENTS AND SAFEGUARDS: PAYMENTS, REPAYMENTS AND DEBT

Who is likely to be affected?

1. Individuals and companies who wish to spread their tax payments over time.
2. Those who have not met their obligations to pay what they owe on time.
3. Companies and businesses required by HM Revenue & Customs (HMRC) to provide up to date addresses for debtors.

General description of the measure

4. Three separate changes to the current law will be introduced in Finance Bill 2009 to:
 - introduce voluntary managed payment plans (MPPs). These would 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 it is owed through the Pay As You Earn (PAYE) system; and
 - 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 the Department has lost contact.
5. These changes have been subject to recent consultation as part of the ongoing work of the Review of HMRC's Powers, Deterrents and Safeguards and Tax Administration to provide a modern framework of law and practice for HMRC.

Operative date

6. The legislation for MPPs will have effect on and after the date that Finance Bill 2009 receives Royal Assent. Making MPPs available require necessary changes to HMRC's computer and accounting systems. They will not be introduced before April 2011. HMRC will ensure that businesses are given sufficient notice ahead of introduction.

7. The collection of small debts through PAYE will require changes to HMRC's systems, and is likely to begin from April 2012. HMRC will ensure that businesses are given sufficient notice ahead of introduction.
8. The third party information power to trace missing debtors will have effect on and after the date that Finance Bill 2009 receives Royal Assent.

Current law and proposed revisions

9. The first change, the introduction of MPPs, would help payers of income tax and corporation tax with their cash flow, by allowing them to spread their payments over a number of instalments before and after the normal due date. The plans will be voluntary and taxpayers will be protected from the normal interest and penalties consequences of paying late.
10. The second change would give HMRC the power to collect tax debts through the PAYE system, allowing debtors with a source of income within PAYE to spread their payments and reducing HMRC's costs. The existing safeguards, limiting the amount that can be collected in this way through the PAYE system and protecting the level of the taxpayer's income, would be preserved.
11. The third change would require companies or other third parties carrying on a business to disclose the address and contact details of tax debtors to HMRC.

Further advice

12. These measures were the subject of initial consultation in June 2007. Responses to that consultation together with a further consultation were published in November 2008 – *Payments, Repayments and Debt: The Next Stage* and draft legislation in December 2008. A summary of responses and a Final Impact Assessment including an explanation of any resulting changes has been published today on the HMRC website.
13. If you have any questions about this change, please send an email to powers.review-of-hmrc@hmrc.gsi.gov.uk or contact Maria Richards on 020 7147 3223. Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk