



HM Revenue  
& Customs

# Company distributions

## **Consultation document**

Publication date: 9 December 2015

Closing date for comments: 3 February 2016

<b>Subject of this consultation:</b>	This consultation concerns the tax rules governing distributions by a company and whether they can be improved in order to reduce imbalances in the tax system.
<b>Scope of this consultation:</b>	This consultation covers the specific changes put forward in the draft legislation that is being published in Finance Bill 2016 and the distributions rules in general.
<b>Who should read this:</b>	Close company shareholders; representative bodies; tax professionals; accountants and accounting bodies and anyone interested in the taxation of companies.
<b>Duration:</b>	The consultation starts on 9 December 2015 and ends on 3 February 2016.
<b>Lead official:</b>	Adrian Coates (HM Revenue & Customs)
<b>How to respond or enquire about this consultation:</b>	By email to <a href="mailto:adrian.coates@hmrc.gsi.gov.uk">adrian.coates@hmrc.gsi.gov.uk</a> or by post to:  Adrian Coates HM Revenue & Customs Room 3/63 100 Parliament Street London SW1A 2BQ
<b>Additional ways to be involved:</b>	If you feel that a meeting would be useful, please state your preference. Depending on the level of interest one or more meetings may be arranged in the New Year.
<b>After the consultation:</b>	The legislation is planned to take effect from 6 April 2016.
<b>Getting to this stage:</b>	The government is concerned that the current distributions rules may be used to secure a capital return in circumstances where that may not be justified. There may be an increased incentive from April 2016 when changes are made to the way in which dividends are taxed. The government has been considering the potential scope for this.
<b>Previous engagement:</b>	Some preliminary discussions have been held with interested parties.

Template version: February 2015

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# 1. Executive Summary

- 1.1 From April 2016, the way in which dividends (and other company distributions) are taxed will be fundamentally reformed for individual recipients. The changes will increase the incentive to arrange for returns from a company to be taxed as capital rather than income, attracting tax at lower Capital Gains Tax rates, rather than the new dividend tax rates.
- 1.2 The government believes that it is unfair that some people can, in some cases, arrange their affairs solely to take advantage of lower tax rates.
- 1.3 This consultation accompanies draft legislation designed to prevent tax advantages being obtained from specific types of behaviour. The proposed legislation would:
  - amend the Transactions in Securities legislation, which is designed to prevent unfair tax advantages in certain circumstances. The amendments would strengthen these rules, and clarify certain areas; and
  - introduce a new Targeted Anti-Avoidance Rule, which would prevent some distributions in a winding-up being taxed as capital, where certain conditions are met and there is an intention to gain a tax advantage.
- 1.4 The consultation invites comments on what effect these changes might have, as well as inviting suggestions about how the problem might be addressed more widely.
- 1.5 Finally, the government seeks views on whether respondents think that a more far-reaching review of the distributions rules might be beneficial, and if so what might be included.
- 1.6 This consultation and the new rules it discusses do not cover distributions received by companies.

## 2. Introduction

### Background

- 2.1 Where a company has made profits, its shareholders may in certain circumstances extract them in different forms attracting different tax treatment. Where a single shareholder, or a small group of shareholders, controls the company, the shareholder or shareholders are able in some circumstances to decide what form the extraction of profits might take. Shareholders, if individuals, may receive remuneration or dividends, subject to income tax, or they may receive value that is a capital distribution potentially subject to Capital Gains Tax (CGT), for example a repayment of share capital. This is different from how people are taxed where they conduct their trade as a sole trader or in partnership.
- 2.2 There is usually an Income Tax charge when an individual receives a “distribution” from a company. Although the charge is within the Income Tax Acts, the definition of “distribution” in this context is provided by The Corporation Tax (CT) Acts<sup>1</sup>. Where an extraction of value from a company is a distribution under the Corporation Tax Acts, it is taxed as income in the hands of the recipient. A distribution is defined as either: a dividend (or similar distribution out of assets); certain capital transactions that in effect release profits; or certain payments associated with (or issues of) securities that have the same effect.
- 2.3 The distribution rules were introduced 50 years ago, at the same time as CT. Other than changes to address specific issues, the rules remain fundamentally the same as originally drafted, even though much has changed in commerce, company law and tax law generally. For example, in 1979 exchange controls were abolished, allowing companies the freedom to operate with an alternative currency; and there has also been a degree of harmonisation of UK company law within the European Union. More recently there has also been a loosening of the way the principle of capital maintenance is applied, allowing companies more freedom over capital reserve accounts.

### Taxation of company distributions

- 2.4 When a company makes a distribution of its profits to its individual shareholders, the distribution is subject to income tax at the rate applicable to dividend income. From April 2016 the dividend tax rate will be 7.5% for dividend income within the basic rate band, 32.5% for dividend income within the higher rate band and 38.1% for dividend income within the additional rate band. There will also be a dividend allowance, which will apply a 0% tax rate to the first £5,000 of dividend income.

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<sup>1</sup> Part 23 of the Corporation Tax Act (CTA) 2010.

- 2.5 By contrast, where a shareholder receives a capital return on their shares (for example when they dispose of shares that have risen in value) that receipt is subject to CGT at rates generally lower than dividend tax rates. The CGT rates are currently 28% for those who pay tax at the higher or additional rate, 18% for those who pay at the basic rate, and 10% for those who qualify for Entrepreneurs' Relief.

### **The scope of this consultation**

- 2.6 The government is concerned that the attractiveness of the lower rates of CGT (compared to normal dividend tax rates) may encourage individuals to structure their affairs mainly to benefit from lower tax rates, distorting normal commercial decision making and putting those who do not structure their affairs around the tax system at a competitive disadvantage.
- 2.7 The aim of this consultation is to understand whether parts of the distributions legislation are proving an incentive to shareholders to carry out transactions that in effect convert income into capital for tax reasons, to understand how these imbalances might be addressed, and to investigate whether any change would negatively impact normal business transactions.

### **What is being proposed?**

- 2.8 The government proposes to introduce two measures in Finance Bill 2016. These legislative changes are designed to address specific types of the behaviours discussed in this consultation. Draft legislation is published alongside this consultation.
- 2.9 In addition to introducing this legislation, the government wants to engage in an open discussion about the distributions rules more widely than just the taxation of income and capital receipts in respect of shares.

### **Timetable**

- 2.10 The consultation will run until 3 February 2016.
- 2.11 The new draft legislation is expected to be part of Finance Act 2016 and to apply from 6 April 2016.

## 3. Current issues with company distributions

- 3.1 The issues discussed in this consultation concern the retention of profits within a company until such time as they can be paid out in a capital form. This is in contrast to a company paying dividends to its shareholders as and when the profits are earned, where those profits are not needed by the business.
- 3.2 Broadly, a shareholder can receive value from a company that is in a form subject to CGT in the following ways:
- a disposal of shares to a third party;
  - a distribution made in a winding-up;
  - a repayment of share capital (including share premium); or
  - a 'valid' purchase of own shares (for unquoted companies).
- 3.3 This part of the consultation will explore each of these categories in turn.

### A disposal of shares to a third party

- 3.4 The most common way individual shareholders in a company can realise a capital gain on their holdings is to sell their shares. This may happen when, for example:
- a shareholder of a company wishes to dispose of their investment, either to other shareholders, or to a new investor;
  - a shareholder wishes to retire from a business he or she owns via the company; or
  - all the shareholders sell their shares together when the company is taken over by another company, individual or individuals.
- 3.5 Provided that the disposal is not contrived, a third party disposal is usually an appropriate time for a shareholder to receive a capital return on their shares.
- 3.6 However, where a shareholder is aware they will soon be disposing of their company, they might be encouraged to retain profits within the company for a period before sale. The purchaser will acquire the shares of the company for a value that includes those retained profits, and the shareholder will therefore receive as a capital payment something that would otherwise have been paid as an income distribution and so taxed differently. The Transactions in Securities legislation (discussed in more detail in section 4) is designed to prevent tax advantages from being obtained where disposals of shares (and other types of transactions) have a main purpose of gaining a tax advantage.

## A distribution made in a winding-up

- 3.7 A distribution in respect of share capital in a winding up is in company law a capital distribution and is not currently treated as an income distribution for tax purposes. The amount received by the shareholder is treated as the consideration for disposal of the shares and is subject to CGT.
- 3.8 However, these rules may be exploited in order to create a tax advantage through transactions which are tax rather than commercially driven.
- 3.9 For example, where a company distributes accumulated profits while continuing to trade, the distributions are taxed as a dividend. However, where a company is wound-up, for example through a members' voluntary liquidation (MVL), the amounts received by shareholders are increased by the level of undistributed profits at the time of winding-up. This means that a company owner might choose to retain profits in a business that they know will soon be liquidated in order to lower their tax rate.

### Example 1<sup>2</sup>

Nadejda is the sole shareholder in Nadejda Industries Ltd. After 12 months of successful trading, Nadejda Industries Ltd has made net profits after tax of £100,000. The company pays a dividend of £100,000 to Nadejda, who then pays tax on the dividend at the normal income tax rates.

Daisy is the sole shareholder of Daisy Industries Ltd. After 12 months of successful trading, Daisy Industries Ltd has also made net profits after tax of £100,000. Daisy pays £1,000 to wind up Daisy Industries Ltd via a Members' Voluntary Liquidation, at the end of which Daisy receives £100,000, which is taxed as a capital gain.

Despite the apparent similarities between Nadejda and Daisy's activities, Nadejda will pay tax at the dividends tax rates, which are significantly higher than the CGT rates which Daisy will pay.

- 3.10 The example above is a simple version of how an MVL might be used to gain a tax advantage. The government is concerned that the following are the main areas where this kind of tax planning is most likely to occur:
- "Moneyboxing", where the shareholders of a company retain profits in excess of the company's commercial needs and so receive these profits as capital when the company is eventually liquidated;
  - "Phoenixism", where a company enters into a members' voluntary liquidation and a new company is set up to replace the old and carry on the same, or substantially the same, activities. The shareholder here receives all of the value of the company in a capital form while the trade continues – albeit now in the new company - exactly as before; and

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<sup>2</sup> Note: this is an example of possible taxpayer behaviour. It does not reflect HMRC's view of the correct tax treatment in all circumstances.



- “Special purpose companies”, where the operations of a business are capable of being divided among separate companies, each undertaking a particular project. As each project or contract comes to an end, the company is liquidated and the profits and gains of that project are realised in a capital rather than income form.

## A repayment of share capital (including share premium)

- 3.11 When a company repays part of the shareholders’ capital, the payment is not treated as a distribution. This recognises that where the company is merely returning to the shareholder what the shareholder originally paid in, there should not be an income tax charge. The government is satisfied that this is the correct position.
- 3.12 However, where it is possible to increase the amount of ‘capital’ repaid to shareholders, the government is concerned that an opportunity to convert income to capital arises.

### Example 2<sup>3</sup>

Gavin is the sole shareholder of Gavin Industries Ltd (GI Ltd), which was formed with £100 of share capital. After successfully trading for a number of years GI Ltd has retained profits of £250,000 and no other assets. Gavin decides to pay himself a dividend of £250,000, which is subject to income tax as a distribution.

Sebastian is the sole shareholder of Sebastian Industries Ltd (SI Ltd), which was formed with £100 of share capital. After successfully trading for a number of years SI Ltd also has retained profits of £250,000 and no other assets. For a number of reasons, Sebastian is advised to create a new holding company, SI Holdings Ltd (SIH Ltd), which is achieved via a share for share exchange in which SIH Ltd issues £250,100 of share capital.

Sebastian now holds all of the share capital in SIH Ltd, which holds all of the shares in SI Ltd. SIH can repay £250,000 of share capital to Sebastian. This transaction is classed as a repayment of capital and is subject to CGT.

Both Gavin and Sebastian will receive £250,000 from their companies, but, due to the creation of a holding company, Sebastian can benefit from the lower CGT rates.

- 3.13 The government believes that the way the current rules can create new capital in a reconstruction that does not require shareholders to invest fresh capital leads to an unfair result when that capital is later distributed to shareholders, compared with companies that have not been involved in such a reconstruction.

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<sup>3</sup> Note: this is an example of possible taxpayer behaviour. It does not reflect HMRC’s view of the correct tax treatment in all circumstances.

## Purchases of own shares (for unquoted companies)

- 3.14 As a general principle, where a company makes a purchase of its own shares, any excess paid over the amount of capital originally subscribed for the shares is a distribution. However, special provisions relax this rule and enable an unquoted trading company or an unquoted holding company of a trading group to undertake a purchase of its own shares without making a distribution, meaning that the amount received by the shareholder is subject to CGT rather than income tax.
- 3.15 The rules currently require that a shareholder reduces their holding to no more than 75 per cent of their previous holding, and that they must not hold more than 30 per cent of the company's shares after the disposal. This may mean that a shareholder can benefit from treatment as a capital gain while making only a relatively small disposal and still being able to influence the company's affairs significantly, for example by being able to block a company special resolution.
- 3.16 The rules provide a mechanism by which shareholders in unquoted companies can leave a company in circumstances where there is no liquid market for the shares to enable them to sell their shares on. The government recognises the value of these rules, but would like to explore whether the conditions that allow capital treatment are set at the right level. The rules exist in order to allow a shareholder to exit a company where that exit carries a benefit to the trade. It might therefore be regarded as anomalous that an "exiting" shareholder could retain up to 30 per cent of the company's shares after the transaction.
- 3.17 Similarly, it could be argued that in setting the requirement for a shareholder to reduce their interest in a company to 75 per cent of their original holding, with no greater requirement, little trade benefit can be expected to have been obtained. The government would like to retain these rules, but is concerned that the current tests might be exploited in the future where the incentives to convert income to capital are increased.

**Question 1.** Do you think that the ways in which a shareholder can receive value from a company in a form that is subject to CGT rather than income tax, as explored above, can lead to unfair outcomes?

**Question 2.** Do you think such issues will be exacerbated by the changes to dividends rules being proposed for April 2016?

## 4. Proposed solution

- 4.1 HM Revenue & Customs (HMRC) has seen examples of the behaviours discussed in this document, and examples of active tax planning in areas it believes lead to unfair outcomes. The government has decided to act to counter these imbalances and reduce avoidance.
- 4.2 The government proposes to tackle the issues by:
- amending existing legislation designed to protect the company distributions rules; and
  - introducing a new Targeted Anti-Avoidance Rule.
- The government considers that these amendments to the tax legislation are justified, given the existing risk.
- 4.3 The government has therefore published in Finance Bill 2016 amendments to the Income Tax (Trading and Other Income) Act (ITTOIA) 2005 and to Income Tax Act (ITA) 2007 that will:
- Amend the Transactions in Securities legislation in Part 13 ITA 2007, in order to modernise the way in which interventions are conducted and to clarify some key phrases which have been the subject of confusion or disputes; and
  - Introduce a new Targeted Anti-Avoidance Rule, which will deny capital treatment from a distribution in winding-up where certain conditions are met.

### Transactions in Securities

- 4.4 The Transactions in Securities<sup>4</sup> rules are existing anti-avoidance rules designed to prevent the extraction of funds from close companies in a way that gives the shareholders a tax advantage. Any commercial activity not undertaken for a tax advantage will therefore be unaffected by changes to these rules.
- 4.5 The rules give HMRC the power to counteract tax advantages obtained as a result of transactions that aim to change what should on ordinary principles be taxed as a distribution chargeable to Income Tax into a capital receipt. Counteraction is generally by way of an assessment to recover the tax lost. The mechanisms for applying the legislation need to be invoked by HMRC, and there is a clearance procedure whereby taxpayers can obtain assurance that HMRC will not invoke the legislation in respect of an identified transaction. These rules are not within the Self-Assessment regime, so there is no onus on a taxpayer to report such tax advantages, and more generally the rules do not easily fit with the general scheme of the tax administration system.

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<sup>4</sup> Chapter 1 of Part 13 of ITA 2007

4.6 The government proposes to introduce legislation that will strengthen these rules, clarify certain areas that some people find confusing, and modernise the way in which the rules are applied. This modernisation is designed to bring the process of counteraction more in line with that of the self-assessment regime, while also providing taxpayers with further protection and certainty.

### How the rules currently work

4.7 The rules only apply where a person receives certain types of consideration in respect of a close company, and:

- The person is a party to a transaction in securities, or more than one transaction in securities;
- Certain conditions are met in respect of the consideration they receive;
- There has not been a fundamental change in ownership of the company as a result of the transaction or transactions;
- The main purpose, or one of the main purposes, of the person being a party to the transaction or transactions is to obtain a tax advantage; and
- The person obtains a tax advantage in consequence of the transaction or transactions.

4.8 Securities in this instance include shares in a company. Extracting profits from a company in a form that carries a lower tax liability than a dividend, for example as a capital payment or from the disposal of shares as a capital gain, would be regarded as seeking a tax advantage.

### Complexity

4.9 The legislation has existed since before corporation tax was introduced in 1965. Generally, it protects against tax avoidance by discouraging transactions that would otherwise obtain a tax advantage. But where some people are intent on exploiting the rules, clarifying certain key phrases and terms will strengthen HMRC's ability to challenge this behaviour.

4.10 Separately, the legislation has its own counteraction and appeals process which is unique in the Taxes Acts. These rules offer little protection to the taxpayer, and provide unnecessary complexity in order to create an assessment where the legislation applies.

4.11 The government believes that people should not be able to exploit the differences in tax rates in this way, and so considers that a proportionate first response is to tighten these rules in order to prevent the main types of abuse.

## What the draft legislation proposes

4.12 The draft legislation which covers the proposed amendments is published in Finance Bill 2016, along with an Explanatory Notes. In brief, though, the changes will:

- Introduce a “connected parties” rule, to ensure that the legislation cannot be simply avoided by obtaining an advantage on someone else’s behalf or by exploiting family or other relationships, including those with trusts and companies;
- Change the procedural rules for counteraction so that they operate in a similar fashion to the Self-Assessment compliance rules;
- Ensure that the rules look at the reserves available within a group, rather than a company, to ensure that the rules cannot be avoided by leaving profits dispersed across a group;
- More clearly define the ‘fundamental change of ownership’ rules so that they continues to act as a ‘safe harbour’ for disposals, but in a manner that cannot easily be abused; and
- More clearly define what is a ‘transaction in securities’, for example putting beyond doubt that a return of share capital or share premium are transactions in securities that fall within the regime, and extending the definition to include liquidations.

4.13 The amendments to this legislation are proposed to be effective from 6 April 2016.

**Question 3.** Do you agree that changes to the Transaction in Securities rules as proposed will be effective in terms of preventing the conversion of income to capital?

**Question 4.** Do you think these changes will have any unwanted consequences not identified? How might these be mitigated?

## Distributions in a winding up

4.14 The government is aware of a number of advisers who market advice on how to exploit the legislation regarding distributions in a winding-up. These advisers mostly seek to obtain tax advantages for their clients from “phoenixism”, where companies are used for individual contracts and then wound-up to convert the profits into capital (as described in paragraphs 3.7 – 3.9).

4.15 The government believes that the rules as they currently stand are capable of being exploited by a small number of taxpayers in specific circumstances. Such behaviour undermines the tax system and creates a bias against other taxpayers who either cannot or do not exploit the rules to gain an unfair tax advantage.

4.16 The government will therefore introduce a new Targeted Anti-Avoidance Rule (TAAR) that would apply to certain distributions from a winding-up. This TAAR would treat a distribution from a winding-up as if it were an income distribution, where:

- An individual (S) who is a shareholder in a close company (C) receives from C a distribution in respect of shares in a winding-up;
- Within a period of two years after the winding-up S continues to be involved in a similar trade or activity; and
- The arrangements have a main purpose, or one of the main purposes, of obtaining a tax advantage.

4.17 A specific exemption would apply where all of the assets that are distributed to the person consist of irredeemable shares in a subsidiary of the company being wound up. This is intended to prevent liquidation demergers of close company groups falling within the new TAAR.

4.18 This measure is proposed to apply to distributions in a winding up made on or after 6 April 2016.

**Question 5.** Do you agree that the introduction of this new TAAR will be effective in terms of preventing the behaviour outlined in this section, and are there any better alternatives?

**Question 6.** Do you think that the TAAR will have any unwanted consequences not identified? How might these be mitigated?

## 5. Potential wider solutions

### Income to capital conversion

- 5.1 Proposals to deal with conversion of income to capital for tax purposes are set out above. The government would also like to explore what other solutions might be feasible and commercially acceptable.
- 5.2 The government would therefore be interested in receiving suggestions on what further approaches might be adopted to prevent the conversion of income to capital for tax reasons, whilst protecting normal commercial practice. Possibilities include:
- Amending the parts of the existing distributions legislation that deal with income and capital;
  - Re-introducing some form of the close company apportionment legislation<sup>5</sup>, which dealt with similar issues.
- Alternative proposed solutions are welcome.
- 5.3 Although you are invited to put forward or discuss any potential solution, **the government has no current plans to introduce any further changes to the distributions legislation, beyond what is proposed in section 4.**

### Wider legislation

- 5.4 The distribution rules were in substance introduced over 50 years ago and, other than changes to address specific issues, they remain much the same as originally drafted. This consultation concentrates on the rules that distinguish between capital and income payments, but the distributions regime has a wider scope.
- 5.5 The government recognises that the rules can be complex and at times difficult to apply and that there have been some significant areas of uncertainty in the past. In some places the rules can require a more complicated structure than necessary in order to secure a principled outcome – for example the rules dealing with demergers.

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<sup>5</sup> Until 1989, specific rules for close companies existed on the “apportionment of undistributed income etc.” (sections 423 to 430 of the Income and Corporation Taxes Act 1988). Broadly, the legislation provided that if a close company did not distribute a reasonable amount of its total income in such a way that the distributions formed part of the total income of the shareholders for tax purposes, then the company’s income was, subject to complex rules, treated as income of the members. Effectively, the undistributed income was apportioned, or notionally distributed, amongst the members. The ‘apportionment’ rules were repealed in 1989.

5.6 The government is therefore interested in whether a broader consultation on the regime as a whole might be justified, similar in scope to the recent loan relationships review. Such a consultation would consider all of the rules, but particularly key terms that are known to have caused difficulty in the past (such as 'principal secured' and 'to any extent dependent on the results of the business'). It could also consider whether there is an alternative way to approach the rules, for example by introducing a more 'principles-based' set of rules supported by specific definitions and Targeted Anti-Avoidance Rules where required.

**Question 7.** Do you think that the government should consider making further changes to address the conversion of income to capital? If so what other solutions do you think the government should consider?

**Question 8.** Are there any particular areas of the wider distributions regime that cause difficulties or complexities? If so, which areas?

**Question 9.** Do you believe there is any value in extending this consultation to consider the regime as a whole, after the changes proposed for April 2016?



## 6. Summary of Consultation Questions

**Question 1.** Do you think that the ways in which a shareholder can receive value from a company in a form that is subject to CGT rather than income tax, as explored above, can lead to unfair outcomes?

**Question 2.** Do you think such issues will be exacerbated by the changes to dividends rules being proposed for April 2016?

**Question 3.** Do you agree that changes to the Transaction in Securities rules as proposed will be effective in terms of preventing the conversion of income to capital?

**Question 4.** Do you think these changes will have any unwanted consequences not identified? How might these be mitigated?

**Question 5.** Do you agree that the introduction of this new TAAR will be effective in terms of preventing the behaviour outlined in this section, and are there any better alternatives?

**Question 6.** Do you think that the TAAR will have any unwanted consequences not identified? How might these be mitigated?

**Question 7.** Do you think that the government should consider making further changes to address the conversion of income to capital? If so what other solutions do you think the government should consider?

**Question 8.** Are there any particular areas of the wider distributions regime that cause difficulties or complexities? If so, which areas?

**Question 9.** Do you believe there is any value in extending this consultation to consider the regime as a whole, after the changes proposed for April 2016?

## 7. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 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 3 of the process. The purpose of the consultation is to seek views on draft legislation in order to confirm, as far as possible, that it will achieve the intended policy effect with no unintended effects.

### How to respond

A summary of the questions in this consultation is included at chapter 6.

Responses should be sent by 3 February, by e-mail to [Adrian.Coates@hmrc.gsi.gov.uk](mailto:Adrian.Coates@hmrc.gsi.gov.uk) or by post to:

Adrian Coates  
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Telephone enquiries 03000 586041 (from a text phone prefix this number with 18001)

### **Please do not send consultation responses to the Consultation Coordinator.**

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 [HMRC's GOV.UK pages](#). 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.

## Consultation Principles

This consultation is being run in accordance with the Government's Consultation Principles. The consultation period will last 8 weeks due to the Budget scheduled for 16 March 2016.

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

John Pay, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: [hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk](mailto:hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk)

**Please do not send responses to the consultation to this address.**