

Sage Response to HMRC Consultation on 'Improving the data HMRC collects from its customers'

About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of Small and Mid-Sized Businesses served by us, our partners and accountants. Customers trust our accounting, tax, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

Introduction

Sage welcomes the opportunity to feedback on this consultation and, as one of the UK's leading technology providers, fully support the benefit that can be leveraged from robust data. Sage also acknowledges the role that the software industry can play in supporting businesses in the gathering and submission of accurate data.

As part of this agenda, we would encourage HMRC to make a clear commitment to sharing more of the vast store of non-personal and aggregated data that they hold about UK business. Sharing this kind of data would allow for new innovative services that would support HMRCs API first strategy and promote the growth of UK business by equipping them to make more informed decisions around investment and resourcing.

We would welcome a transparent agreement on the cadence and method of sharing such data going forward that would provide technology businesses with certainty over the data that will be available and when.

However, while we fully support the need for more accurate and robust data and the sharing of this data, we would also highlight that we have concerns over the specific proposals in the consultation document. The key concern is that many of the proposals centre around data being collected via tax returns. As a significant proportion of the additional data does not directly link to the calculation of the relevant tax, we are unclear if there is a legitimate interest or other legal basis for software developers to collect such data on behalf of HMRC or share that data with HMRC without the software developer taking on the role of a data controller. As a priority, we would like to understand further how HMRC plans to address this concern. We note that specific legislation - The Delivery of Tax Information through Software (Ancillary Metadata) Regulations 2019 - was required to provide a legal basis of the "MTD Header data" to address a similar concern last time that HMRC increased the data set that they requested software developers to collect on their behalf.

For those proposals that focus on RTI as the method of submission, we also have concerns over whether RTI is the right place for submission from a practical perspective. Whilst the data regarding occupation and location of each employee 'could' be submitted via RTI, its unlikely, in many cases,

that those who operate the payroll will have full visibility of the data because it isn't required for payroll calculations. There is a significant risk around the transferring of this data from one system, department or person to another and that submitted data won't be accurate and it is unclear who, in anyone would have any legal responsibility for identifying and correcting any errors in this data.

Question 1

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

Answer: According to the consultation one key factor in targeting the self-employed first was that data could be obtained annually through self-assessment. Whilst we appreciate that timeliness is a key factor in robust data, does HMRC expect a significant amount of churn in individuals' data year on year? Would it be worth exploring, if it hasn't already been done, just collecting sectoral data at the start of a business under the assumption that a change in sector should trigger a new trade for self-employment purposes? Alternatively, businesses could be provided a mechanism to update their sector if there was a change in circumstances through their online tax account. Only collecting sectoral data on such triggering events would potentially be less burdensome for businesses and the data wouldn't have to be collected via tax returns which, it could be argued, isn't the most appropriate place (see answer to question 4). If this were the case, then the data wouldn't need to be restricted to the self-employed and could be collected either through Companies House registration for a limited company or self-assessment registration for the self-employed. Alternatively, all data could be collected through the online tax account via an initial declaration and annual confirmation.

Question 2

Question: 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)?

Answer: We are not aware of any existing mechanisms that are duplicated but we have suggested an alternative method of data collection in the answer to question 1.

Question 3

Question: 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?

Answer: This question is not relevant for Sage, as a software provider, to comment upon.

Question 4

Question: 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?

Answer: Incorporating SIC codes into the software is certainly achievable from a development perspective, as is the implementation of some sort of functionality to aid the user in selecting the correct SIC code. However, we have concerns over the legal basis for collecting and sharing such data and the reliability of the resulting data.

Whilst the consultation suggests that the field would be 'compulsory', what legislation would the government lay to 1) mandate the inclusion of it in the tax return when the field doesn't form part of the tax calculation and 2) provide the legal basis for software developers to share this data with HMRC without themselves taking on the role of data controllers?

In terms of reliability, we would question whether the self-employed would be motivated to select the most accurate SIC code or whether they might select something less accurate as long as the box was populated. Whilst it might be 'compulsory' if it doesn't feed into the tax calculation there is little driver for being accurate and many self-employed may not feel that sector SIC codes are necessarily 'relevant' to their business/trade especially when having to also populate occupation which in many ways may feel more relevant to them. For example, a window cleaner may be able to accurately identify their SOC code but may be less confident in identifying the most accurate SIC code. Whilst both fields are relevant and provide useful data, a self-employed individual, especially those carrying out a trade may not clearly understand the difference.

Question 5

Question: 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)?

Answer: This data, however collected, would be extremely useful if shared publicly, especially if linked with other datasets. As a software provider, accurate, reliable data allows us to a) make more informed choices about where functionality is required and ultimately allows us to better support HMRCs API first strategy and b) to provide new innovative services to our customers that ultimately boost productivity. For example, this data could be consumed and presented to customers in a format that allows them to benchmark their own data against industry averages or allow them to make more informed decisions around resourcing.

We would encourage HMRC to publicly share all reliable data regarding business and employment and do this under a structured and transparent cadence and not just limit this to occupational data.

Question 6

Question: 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 cost burdens?

Answer: We can only comment from a software provider perspective, but there is often a separation of duty between those who understand the occupation of employees (enough to select the most accurate SOC codes or write an accurate description and know when there has been a change in occupation) and those who run the payroll and for this reason we would be concerned with the accuracy of data provided. SOC codes especially (compared to free text) could also result in payroll processors entering any or semi accurate data rather than the most accurate code in order to fulfil the requirement. The issue regarding the separation of duty and the data required for submission being held primarily outside of the payroll function also raises a risk around the transfer of data from one system, department or person to another.

Question 7

Question: For the self-employed/their agents: How well do SOC codes describe your, or your clients', occupation?

Answer: This question is not relevant for Sage, as a software provider, to comment upon.

Question 8

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

Answer: Including the relevant data field in payroll and submitting via RTI is achievable from a technical point of view but the amount of work involved will largely depend on the existing functionality of the payroll system in question. Some payroll systems, but not all, already hold job title information on a voluntary basis which would reduce the amount of work required. However, the systems that do hold job titles will likely use free-format fields which may therefore need amending. As discussed in question 6, while technically the suggested solution is achievable, the bigger issue is whether the proposed solution achieves accurate data. Our other key concern is the legal basis for collecting this data. While the consultation paper suggests the provision of this data would likely be mandated, we would like to understand **how** this would be mandated. As a software provider, we are concerned that, without taking on the role of Data Controller, we do not have the legal basis to mandate capture or to share this data with HMRC.

Question 9

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

Answer: Having access to more accurate data always helps to make more informed decisions. However, this should also be weighed up against the 'cost' of collecting that data. We would question whether collecting location data at such a granular level (per employee) and through RTI is the right thing to do. Doing so is likely to result in either a significant additional administrative burden for business in gathering the required information and feeding through to those who operate the payroll or the submitted data not being accurate or up to date.

Question 10

Question: 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?

Answer: As a software provider, we are not aware of any alternative methods of submitting detailed location data other than the methods outlined in the consultation paper under 'status quo'.

Question 11

Question: 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?

Answer: This question is not relevant for Sage, as a software provider, to comment upon.

Question 12

Question: [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?

Answer: Similar to our response for occupation data (see answers to questions 6 & 8), including the relevant data field in payroll and submitting via RTI is achievable from a technical point of view but we have concerns, again, over a) the legal basis for sharing this data with HMRC and b) how accurate the data will be. Similar to our response to question 6 there is often a separation of duty between those who are able to accurately determine the current location of an employee and those who run the payroll, again, this is especially true when payroll bureaus are involved which could result in less accurate/not up to date information being submitted and an additional risk around the sharing of data internally.

Question 13

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

Answer: Where employees are paid by the hour then the payroll system will already hold the hours worked as this information must be shown on the payslip, therefore providing this information via RTI would not be an issue. Where employees are not paid by the hour, such as salaried employees, actual hours worked are not recorded in the payroll system so the recording and submitting of hours worked for these employees would add an additional burden on both the employee and employer and be significantly more work from a software development perspective. However, the consultation paper suggests that such data would not be required.

Question 14

Question: 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)?

Answer: This question is not relevant for Sage, as a software provider, to comment upon.

Question 15

Question: 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?

Answer: This question is not relevant for Sage, as a software provider, to comment upon.

Question 16

Question: 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?

Answer: As a software provider, we cannot comment on the administrative burden of obtaining this information. However, we would comment that, having read the consultation, we are not clear on the intention of the proposed solution. Does HMRC intend for the additional data within the employment section to be 'in addition to' disclosing total dividends under dividend income or is the intention that this would require the taxpayer to reduce their disclosed dividend income by any

amount disclosed within employment income? We would question the simplicity and transparency of the approach and urge HMRC to ensure that taxpayers, who are not tax experts, fully understand where different types of dividend income should be disclosed and why, in order to avoid confusion and potentially elements of dividend income being included in the tax return twice or not at all.

We would also, again, question the legal basis for collecting and sharing the additional data as its not specifically needed for the completion of the tax return/calculation.

Question 17

Question: 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?

Answer: This question is not relevant for Sage, as a software provider, to comment upon. However, we would suggest that tax payers would significantly benefit from clear guidance from HMRC on how to determine start and end dates that is accessible at the point of entering this data.