

## **Income Tax Self Assessment registration for the self-employed and landlords**

### **Call for evidence**

#### **Response from the Low Incomes Tax Reform Group (LITRG)**

#### **1. Executive Summary**

- 1.1. We support the government's goals to make tax 'straightforward, easy to get right and hard to get wrong'. These are welcome objectives and any changes should be targeted at helping to deliver them.
- 1.2. In addition to exploring the benefits and potential problem areas of the current notification of a tax liability and income tax Self Assessment (ITSA) registration processes, the call for evidence floats two possible options for change:
  - *Option 1* - reducing the deadline for notifying liability after the tax year end
  - *Option 2* - introducing a new obligation to report the start of new self-employment or property income
- 1.3. In terms of the first, we would not be against moving the deadline for notifying liability to tax to a date earlier than 5 October, but after the end of the tax year, if it were to help achieve the above-stated ambitions. However, at present we do not think there is sufficient evidence to support such a change. We explain how, in our experience, many of the existing problems with notification and registration are due to confusion and lack of awareness – neither of which will be solved by advancing the deadline.
- 1.4. On the second option, we set out why we think it is preferable to retain a notification deadline after the end of the tax year. Our main concerns are that option 2 would risk increasing non-compliance because of: a lack of understanding amongst the unrepresented of what activities could be taxable (such as non-traditional forms of trading via online platforms); and difficulties of establishing when exactly a new self-employment actually begins. Further, for those who do recognise they have to register, there would be an increased risk of bringing more people into the system unnecessarily (for example where a business never gets off the ground, or income falls within the trading allowance).
- 1.5. We suggest that further research would be needed to build a case for pursuing change and any proposals would need to be fully consulted on and considered in the context of Making Tax Digital for Income Tax.

1.6. Rather than make changes at this stage, our recommendation is that HMRC prioritise addressing various pinch-points in the existing system, as follows:

- The matters of notifying liability to tax and registering for ITSA (and separately as self-employed for payment of Class 2 NIC) are confusing and conflated, because:
  - Notification of liability is a legal requirement, as set out in Section 7 Taxes Management Act 1970. However, the legislation itself is not entirely clear about how this applies to some situations, more likely relevant to lower income taxpayers;
  - Separately, HMRC have a set of Self Assessment criteria for people who they want to file a tax return, although there might be no legal requirement to notify a liability under Section 7;
  - Public-facing guidance is not always clear that if HMRC have issued a Self Assessment tax return under Section 8 Taxes Management Act 1970, one must be completed for the relevant tax year (unless cancelled), irrespective the taxpayer's circumstances or liability to tax.

We recommend that the statute and HMRC practice are reviewed and aligned.

- HMRC guidance on registering for ITSA needs revision as it is currently confused – for example, the term 'income' is used to mean turnover and profit interchangeably on the same GOV.UK page. This does not help people to understand when HMRC want them to register. Whenever limits or thresholds are mentioned, their meaning should always be clear. The guidance is also misleading about who has to file a tax return.
- The different methods of registration/deregistration cause confusion. We would recommend having a single, clear process for both registration and deregistration – preferably via the Single Tax Account (with alternatives for those who are digitally excluded and help for those who struggle to verify identity via the Government Gateway).
- People do not always recognise that their activities might trigger an obligation to notify liability to tax. We make suggestions as to how to tackle such lack of awareness, including improvements to guidance, working with third parties to disseminate information, providing basic tax information in common migrant languages and improving tax education in schools. As part of this work, HMRC could review why some people might be more aware of their obligations than others – for example, by understanding whether those who have undertaken an apprenticeship are aware of tax from their studies. HMRC could also research in due course whether tax conditionality rules from 4 April 2022 for certain licenced businesses increase tax awareness amongst those affected. There will be clear lessons to learn from this on how using third parties can help improve tax registration more generally.

1.7. We also point out that while the 5 October deadline might not be widely known, there is much greater awareness of the 31 January tax return and tax payment deadline. If someone registers for ITSA, files their tax return and settles any liability by 31 January, there is no potential loss to the exchequer and therefore no late notification penalty. This important safety-net should be retained if any changes were to be made.

## **2. About Us**

- 2.1. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low-income workers, pensioners, migrants, students, disabled people and carers.
- 2.2. LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 2.3. The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

## **3. Introduction**

- 3.1. We welcome the opportunity to respond to this call for evidence on income tax Self Assessment registration for landlords and the self-employed. We are pleased that HMRC delayed the closing date for the call for evidence so that we could attend the series of workshops to discuss specific aspects in more detail.
- 3.2. We have answered all of the questions, apart from question 2. Our answers are based on our experience of dealing with low-income landlords and self-employed individuals through people contacting us via our website, work on the TaxAid helpline and experience of directly helping people register for Self Assessment.
- 3.3. We broadly agree with all of the comments in the Chartered Institute of Taxation's (CIOT) response which considers the proposals largely on the basis of agents' experience of the system.
- 3.4. The call for evidence states that government wants tax to be 'straightforward, easy to get right and hard to get wrong' (at paragraph 1.1) and recognises that most people want to be on top of their tax affairs. The purpose of the call for evidence is to understand whether bringing forward the point at which the newly self-employed and landlords are required to identify themselves to HMRC would help achieve these goals.
- 3.5. We are supportive of the government's three goals for the tax system. However, overall, we do not think that bringing forward the deadline will make things more straightforward, easier to get right and harder to get wrong because it does not address the pinch-points in the current system that cause unrepresented taxpayers the most difficulty. We think addressing those pinch-points would be a better way to meet the government's objectives.
- 3.6. Before any decisions are taken about whether to bring forward the point at which the newly self-employed and landlords are required to identify themselves, HMRC should carry out further

research to ensure that there is a proper understanding of exactly where the current issues are and the scale of those issues. For example, the call for evidence seems to suggest that there is a correlation between those who register later and the standard of their business records, but there is no information about whether that has in fact been tested and proved.

- 3.7. Such research would also help HMRC understand the scale of the potential issue. For example, we note in the call for evidence that, in 2019/20, around 70% of new registrations were done in the year the person started trading. Unfortunately, there is no information about the remaining 30% and when they registered compared to the 5 October deadline and the 31 January filing date. However if 70% of new registrations are already made in the year of trading, that suggests that moving the deadline to the end of the tax year in which trading commences would be of no consequence to the majority of new registrants.
- 3.8. The call for evidence uses two fictional personas to help illustrate the impacts of the current registration process and possible effect of changes. We do not think that these are helpful for a number of reasons. In particular, the example of Ryan shows someone who is non-compliant by not reporting smaller cash paid jobs. This is a compliance issue as he appears to be deliberately failing to declare income – changing the registration deadline would have no impact on that aspect of his behaviour as he has made a conscious choice not to report a particular stream of income.
- 3.9. Finally, we urge HMRC to carefully consider any changes in light of the introduction of MTD for income tax and to fully consult on the detail of any proposed changes.

**4. Q1. How simple and well understood are the current legislation and processes for notifying liability and registering for ITSA? What are the benefits and/or drawbacks of the current system?**

**4.1. *Understanding of the current legislation and processes***

- 4.1.1. As set out in the call for evidence (paragraphs 2.2 to 2.5) the requirement to notify liability to income tax and capital gains tax is set out in Section 7 of the Taxes Management Act 1970. The ITSA registration process is more accurately described as a mechanism for taxpayers to satisfy that requirement under Section 7 which, at the same time, invites HMRC to issue a notice to file a Self Assessment tax return under Section 8. There is no legal requirement to register for ITSA. In addition, there is no legislative complexity regarding the question of who has an obligation to file a tax return for a given tax year: anyone who receives a notice (which has not been withdrawn) from HMRC to file a return must do so. If such a notice has not been issued, then late submission penalties cannot apply.
- 4.1.2. In our experience, unrepresented taxpayers are not aware of the distinction between the legal requirement to notify liability, the ITSA registration process, and the requirement to file a tax return in response to a formal notice to do so. They are only familiar with HMRC's 'requirements' as to who must send a tax return because that is what is explained on GOV.UK.
- 4.1.3. There is therefore confusion around the obligation to file a tax return. Some people assume that if they do not have sufficient income that would require them to register (under HMRC's guidance on who should do so) then they do not need to file a tax return, even if one is issued by HMRC. Indeed, HMRC's own guidance seems to confuse the concepts by explaining under 'who must send a tax

return' that self-employed sole traders who earn more than £1,000 must send a tax return. However, as noted above, the legal obligation to file a tax return is placed on anyone who receives a notice to file a return regardless of their income level – whereas the GOV.UK guidance can be read as suggesting that you don't need to send in a return if your income is below the level stated<sup>1</sup>. Furthermore, HMRC's tool 'check if you need to send a self assessment tax return' is really trying to identify people who HMRC want to notify them so they can issue a return because anyone who is issued a return needs to send it to HMRC. The terminology used on GOV.UK adds to this confusion.

- 4.1.4. The notification deadline of 5 October is not well known to unrepresented taxpayers, but there is far greater awareness of the 31 January deadline as that is more heavily publicised. In reality, we think that most people register because they know they have started a business/renting out a property and recognise that they will need to fill in a tax return or report their income to HMRC and then find their way to the information that tells them how to register. In other words, provided someone recognises they are doing something that might have a tax consequence, they will hopefully get into the system in time, even if not by 5 October. Also, as no penalties are charged for late registration if a tax return and any tax due is paid by 31 January then the notification deadline has little relevance to compliant taxpayers.

#### 4.2. ***Benefits of the current system***

- 4.2.1. The main benefit of the current system is that the obligation to notify liability does not arise until after the end of the tax year, which allows the taxpayer time to consider whether they need to inform HMRC as their income may be covered by the trading and/or property allowances. Moving to a more 'real time' system for notification may result in some taxpayers joining the Self Assessment system unnecessarily with the added complication of either deregistering or completing tax returns that they should not need to submit.

- 4.2.2. Other benefits of the current system include:

- The notification deadline is the same for everyone.
- There is a safeguard against failure to notify penalties with the 31 January payment deadline, which more people are aware of.
- For HMRC, it has the administrative benefit of allowing most new registrants to be dealt with within the normal Self Assessment cycle – i.e. most taxpayers registering by 5 October should presumably be processed by HMRC and issued a Unique Taxpayer Reference and notice to file a tax return before 31 October, meaning their tax returns would be due by 31 January as for taxpayers already in the SA system.

#### 4.3. ***Drawbacks of the current system***

*Registering too early*

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<sup>1</sup> <https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return>

- 4.3.1. We noted that one of the benefits of the current system is that it allows people time to register after the end of the tax year, once they know their position. This can help avoid unnecessary notifications. However, currently, sometimes people register 'early' for Self Assessment and so are issued with notices to complete tax returns by HMRC, but if their self-employment has not worked out in the meantime, they may think they do not need to complete the tax return. This then leads to late filing penalties accumulating and a significant debt arising, and also a messy compliance situation to try to resolve with HMRC. This is compounded by the confusing terminology in HMRC's guidance as explained in paragraph 4.1.3.

*Lack of clarity about the legislative notification requirement*

- 4.3.2. There appears to be some confusion about when exactly the requirement to notify liability is triggered in certain situations where people have income below the Class 2 NIC/personal allowance thresholds. Section 7(1) Taxes Management Act 1970 states that everyone who is chargeable to income tax or capital gains tax<sup>1</sup> for any year of assessment must give notice to an officer of the Board that they are so chargeable. This requirement does not apply if a notice to file a tax return for that year has already been issued or a notice has been issued and then withdrawn. In addition, if someone has income solely from certain sources, no chargeable gains and is not liable to the high income child benefit charge (HICBC) then they are not required to notify – for example, where their only income is already taxed through PAYE.
- 4.3.3. It is not entirely clear what is meant by the term 'chargeable to income tax' (or 'chargeable to capital gains tax'), nor the scope of some of the exceptions set out in Section 7 (Section 7(7) in particular). The following examples highlight some of the situations where there seems to be no widely held consensus<sup>2</sup> on whether there is an obligation to notify under Section 7:
- A self-employed individual who has turnover of £3,000 with no expenses. They will have no tax or National Insurance to pay therefore it is arguable that no Section 7 obligation arises.
  - A landlord who has rental income of £10,000 and expenses of £5,000, with no other income. Again, because of the personal allowance, they have no tax to pay – is there any obligation to notify under Section 7?

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<sup>1</sup> There is a parallel ambiguity relating to capital gains tax where an individual has capital gains in a tax year which are less than the annual exempt amount. Our understanding of Section 1K TCGA 1992 is that the annual exempt amount operates to reduce an individual's chargeable gains. It is therefore not entirely clear whether an individual with a capital gain of, say, £5,000 would have chargeable gains of £5,000 or £nil. Consequently, it is unclear whether this person would satisfy Section 7(3)(b) TMA 1970, which requires that they have 'no chargeable gains'. Also, Section 7(1) speaks of a person being 'chargeable to capital gains tax' – does HMRC interpret this broadly (i.e. as a person potentially chargeable if they were to have chargeable gains), narrowly (i.e. a person with some amount of capital gains tax to pay), or perhaps somewhere in between (e.g. a person with some amount of capital gains but with no capital gains tax to pay because they are within the annual exempt amount)?

<sup>2</sup> HMRC's 'check if you need to send a self-assessment tax return' and HMRC's guidance states that all three of the examples listed would need to send a self-assessment tax return.

- A self-employed individual who has turnover of £30,000 and expenses of £28,000. They will also have no tax or national insurance to pay and therefore it is not clear whether they have any obligation to notify liability under Section 7.

*Distinction between notifying liability and registering for ITSA*

- 4.3.4. As explained in paragraph 4.1.1 above, there is no legal requirement to register for ITSA; the legal obligation is to notify chargeability. We have also outlined in paragraph 4.3.3 above that the legislation is not entirely clear whether there is a requirement to notify in certain scenarios where someone has income below the Class 2 small profits threshold or personal allowance.
- 4.3.5. The call for evidence (at paragraph 2.5) states that taxpayers notify their liability through the process of registering for ITSA – therefore the ITSA registration process acts as a mechanism for people to meet their notification obligations under Section 7 of TMA 1970. It would be a reasonable assumption to make that only those who have an obligation to notify under Section 7 of TMA 1970 would therefore be required to register for ITSA but that does not seem to be the case. In fact, the list<sup>1</sup> of people who HMRC state need to register for ITSA appears to include some groups who HMRC would *like* to register, so they can issue them a notice to file a tax return, even though there seems to be no legal duty to notify (such as individuals earning over £100,000 in a PAYE employment).
- 4.3.6. The GOV.UK tool<sup>2</sup> that aims to tell you if you need to send a Self Assessment tax return to HMRC states that if you are self-employed and have turnover of more than £1,000 then you need to send HMRC a tax return. However, the legal requirement to notify HMRC of liability to income tax, capital gains tax or Class 2 or 4 National Insurance does not appear to apply if there is no liability – in other words, where you do not owe anything to HMRC. This implies that if there is income less than the Class 2 small profits threshold you will not need to notify HMRC and therefore you should not need to register (although you may wish to, to pay Class 2 voluntarily). However, the tool says that someone in that situation should register.
- 4.3.7. It is not clear whether HMRC's position is that such a person does not have to notify liability under Section 7 but HMRC would like them to do so (either because it is beneficial for HMRC or the person) or whether HMRC believe the legislation does require the individual to notify their liability in this situation (for example where turnover is greater than £1,000 for a self-employed individual). These differing positions (HMRC guidance and the legislation) are confusing and lead to uncertainty on whether income tax Self Assessment registration is required in respect of self-employment, as shown in the example below of someone who recently contacted us:

*"[X] seems to be strongly of the belief that he doesn't need to submit a self assessment [tax return] because he is below the taxable earnings threshold of £12500. He [has a disability] and is on UC [universal credit] and doing ad hoc work assisting someone. I am worried he may get in trouble with*

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<sup>1</sup> See <https://www.gov.uk/hmrc-internal-manuals/self-assessment-manual/sam100060> and <https://www.gov.uk/hmrc-internal-manuals/self-assessment-manual/sam100050>

<sup>2</sup> <https://www.gov.uk/check-if-you-need-tax-return>

*HMRC because he is likely earning more than £1000 / year that he in fact does have to declare his earnings. Can you please advise as to what his tax and income reporting obligations are given his circumstances.”*

4.3.8. The question of what does and does not trigger the legal obligation under Section 7 TMA is brought into focus by the new rules on tax conditionality which are due to be introduced from 4 April 2022 (footnote to Sch 33 FA 21). Under the rules, taxi drivers and scrap metal dealers in England and Wales face being unable to renew their licence if a Section 7 obligation exists but has not been met. Being unable to trade would have obvious implications on that person’s livelihood far beyond the potential impact of a financial penalty.

4.3.9. The introduction of Making Tax Digital for Income Tax is also likely to generate questions about the exact scope of the notification requirement. It is therefore critical that HMRC are clear in their own understanding, and in their published guidance, as to whether an individual earning above the trading allowance but with no tax or NIC liability has any legal obligation under Section 7.

*Confusion about the different types of registration*

4.3.10. We are aware of examples of confusion about the different types of registration when you first become self-employed such as for Self Assessment, self-employment Class 2 NIC and the Construction Industry Scheme (CIS). This can lead to problems such as not being registered for Class 2 NIC even when completing self-employment pages of the Self Assessment tax return. Any changes to the process of notifying HMRC should include explanation of the different types of separate registrations needed for HMRC’s processes and the different ways you can register for each type of registration.

4.3.11. For example, for those already in Self Assessment (e.g. for property income) who start a new trade, must register separately for Class 2 NIC. If they do not separately register for Class 2 NIC before they come to complete the tax return, HMRC will auto-correct the return to remove the Class 2 NIC liability which is self-assessed. This leads to confusion for taxpayers and additional work for HMRC.

*Trading allowance complexities*

4.3.12. The trading allowance was introduced to simplify tax for individuals earning a small amount of income from self-employment, or casual or miscellaneous earnings. While it is a welcome allowance, it can cause confusion about when notifying HMRC is required, especially if there are regular fluctuations above and/or below the trading allowance threshold (£1,000).

4.3.13. Also, as the trading allowance is a fixed amount no matter when you commence trading, this may mean that if you start trading later in the tax year that you do not need to register your self-employment in the first tax year of trading. This delay may have repercussions in other areas for the taxpayer, for example if they must prove their work history for a reference or finance application.

*Confusing terminology*

4.3.14. We find that unrepresented taxpayers often find it difficult to know whether a particular threshold is relevant to them because it isn’t always clear what it is tested against. For example, the trading



allowance refers to gross income, whereas the Class 2 small profits threshold is effectively ‘net income’.

*Not recognising that there is a potential tax consequence*

4.3.15. In our experience, there is a particular issue for unrepresented taxpayers in that they sometimes do not recognise their circumstances as relevant to tax – therefore any discussion about notifying liability or registration is moot because they don’t see their activity as that of a business or landlord and don’t consider tax aspects at all.

4.3.16. Most individuals who purchase a buy-to-let property will clearly have an intention to generate rental profits and will usually appreciate that this will be taxable and they will need to file a Self Assessment tax return to report the rental profits. But while this may be well-understood in principle, individuals may find themselves in receipt of property income in a number of other situations where registration for tax may be overlooked. Clearly, these should be the areas of focus for HMRC.

4.3.17. Such ‘accidental landlords’ may include:

- those who move in with a partner and let out their own property;
- those who inherit a property and let it out; or
- those who move out of their property as they can no longer afford the mortgage repayments and so let it out if they are unable to sell it.

It may also apply to those who rely on either the property allowance or rent-a-room relief for exemption of their property income but who may unwittingly exceed the relevant threshold one year. This then means they have a tax liability and are within scope of legal obligations relating to notification and payment of that liability.

4.3.18. It is also worth pointing out that individuals in receipt of ‘property income’ may not view themselves as ‘landlords’ or even let out a residence: it could be a parking space, office space, a rehearsal space, etc. Such sources of income may be facilitated by a digital platform.<sup>1</sup>

4.3.19. Indeed, in the sharing economy people may make money from renting assets other than real property, such as their car.<sup>2</sup> While this would not be property income (because it is not ‘generating income from land’<sup>3</sup>) depending on the level of activity it may be taxable as miscellaneous income. Consequently, the property allowance cannot be set against it. There is scope for taxpayer confusion

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<sup>1</sup> For example, <https://www.yourparkingspace.co.uk>. We found only one small reference to tax on their website (at <https://www.yourparkingspace.co.uk/insights/why-renting-parking-space-is-great-idea-to-earn-side-income>).

<sup>2</sup> For example, <https://uk.getaround.com>

<sup>3</sup> See ss 263-267, ITTOIA 2005

here as they may categorise it as like any other ‘rental income’ because they are renting out an asset, or otherwise think that it qualifies for the property allowance because the car is their ‘property’.

- 4.3.20. Similarly, there are issues for self-employed individuals who may not recognise their activity as taxable or a business in the traditional sense. This is likely to increase as more online earning opportunities present themselves – for example via YouTube videos or membership platforms such as Patreon or TikTok.

#### *Reporting thresholds in relation to property income*

- 4.3.21. The reporting thresholds in relation to property income are certainly **not** well understood, in no small part because they are not explained clearly on GOV.UK and there is a complex interaction between the property allowance, a non-statutory Self Assessment reporting threshold, and the personal allowance. GOV.UK states:<sup>1</sup>

#### **Property you personally own**

The first £1,000 of your income from property rental is tax-free. This is your ‘property allowance’.

[Contact HMRC](#) if your income from property rental is between £1,000 and £2,500 a year.

You must report it on a [Self Assessment tax return](#) if it’s:

- £2,500 to £9,999 after allowable expenses
- £10,000 or more before allowable expenses

This guidance is not clear that the ‘income’ which is tested against the property allowance should be the figure *before* allowable expenses. The position is further confused by the non-statutory *profits* threshold of £2,500 (that is the figure *after* allowable expenses), below which the tax on the income may be collected outside of Self Assessment. The sentence ‘Contact HMRC if your income from property rental is between £1,000 and £2,500’ uses the word ‘income’ in both senses simultaneously (that is gross rental income and net profit after expenses). Finally, it is not clear that the logical connection between the final two bullets is ‘or’ rather than ‘and’.<sup>2</sup>

- 4.3.22. For example, if someone has gross property income of £12,000 and expenses of £11,500, they may conclude from reading the guidance on GOV.UK that they do not need to report the income to HMRC or pay tax on it because their ‘income’ is only £500 and it is therefore covered by the property allowance. If they had any doubt on what ‘income’ meant, they might conclude that it referred to amounts after allowable expenses by reading how it has been used in the context of the £2,500

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<sup>1</sup> <https://www.gov.uk/renting-out-a-property/paying-tax>, accessed 19 January 2022. Our explanation of the same point can be found here <https://www.litrg.org.uk/tax-guides/savers-property-owners-and-other-tax-issues/property-income/renting-out-property#toc-do-i-need-to-complete-a-tax-return-to-report-property-income->.

<sup>2</sup> This type of issue is endemic across much of the guidance on GOV.UK.

threshold. Their mistaken assumption is then apparently confirmed when they continue reading: they do not consider that they fall in the circumstances where they need to contact HMRC about the income *or* to report it on a Self Assessment tax return – although gross income exceeds £10,000, they think (again, incorrectly) that they need to meet *both* conditions to trigger the requirement.

- 4.3.23. When these thresholds are considered alongside the personal allowance, the confusion steps up a gear. If they exceed the reporting thresholds as described on GOV.UK (having understood them correctly) but they have no tax liability on the income because their total taxable income for the year is within their personal allowance, then strictly speaking they have no liability to notify under Section 7 TMA 1970 (provided they have no other reason to do so). This does not sit well with the imperative ‘You **must** report it on a Self Assessment tax return...’. In fact, there is no legal requirement to do this.
- 4.3.24. The complexity is set to acquire an additional dimension with the introduction of the £10,000 turnover threshold under MTD for Income Tax, for which one must additionally consider any gross trading income *in combination with* gross property income to see if the figure is exceeded and MTD reporting requirements are triggered.
- 4.3.25. Unfortunately, it is precisely low-income taxpayers who may not be able to afford representation who face having to make sense of this multitude of different interactions at the lower end – others who are very clearly earning in excess of all the relevant thresholds from their property income will generally assume, quite correctly, that the property income simply needs to be reported and taxed under Self Assessment. Clearer guidance, that ensures the registration requirements align with the legislation requiring notification, is therefore required at a minimum, but simplification would be welcome.

**5. Q3. What are your experiences of closing an ITSA record of self-employment or property income? Is it easy to understand and complete?**

- 5.1. It is worth noting that the terms ‘closing an ITSA record’ and ‘deregistration’ have no legislative/legal meaning. We understand them to mean that HMRC will no longer issue Section 8 TMA 1970 notices (notice to file a tax return) each year on an automatic basis but it would be helpful for HMRC to define these terms in any further consultations on this subject.
- 5.2. To deregister, we understand that you can either call HMRC or notify them via your online tax account.<sup>1</sup> However, some people might simply enter a date of cessation on their Self Assessment tax return or include a note in the white space of the return. It is not clear whether HMRC will always action deregistration if the taxpayer takes either of these latter courses of action.
- 5.3. For self-employment, the concept becomes more complicated when there is not a definite finishing point as the Self Assessment tax return requires a date of cessation of trade. This may happen when someone takes on regular employment but decides to keep their self-employment business ‘open’ in

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<sup>1</sup> This gov.uk page directs you to tell HMRC about ceasing self-employment via your online tax account: <https://www.gov.uk/stop-being-self-employed>

case they need to earn extra income, for example. If this self-employment income is less than the trading allowance threshold (£1,000) there is no need to inform HMRC of this income, however the individual would also not consider that they have ceased trading. The individual should inform HMRC that they do not need to complete a tax return because of the trading allowance and in our experience HMRC will treat this as a deregistration but the taxpayer may not have realised this process has occurred.

- 5.4. We have also been contacted about problems when people have left the UK and not realised they needed to inform HMRC that they have stopped their self-employment and/or checked that their Self Assessment records are closed down properly. An example of a taxpayer who wrote to us:

*"I started to work on my own in 2012 as a cleaning lady, and [HMRC] advised me to pay [tax] and so I did until May 2013. I asked [them] to close [my record] because I returned to [my home country] to take care of [a family member].... I know that I signed the request to close the activity.... But unfortunately, it did not happen... [and when I returned from overseas, I] received a bill and another letter charging a fine of 1600.00 for not having paid those years that was not here. What [do] I do, I work a few hours, 2 hours a day and I cannot afford. Thank you for your attention and help."*

To avoid situations similar to the example above, guidance needs to be improved for taxpayers leaving the UK, possibly through the Single Customer Account (see para 14.1).

- 5.5. The above different courses of action that people might take are confusing and potentially off-putting, having seemingly arisen due to being bolted on to the system as digital capability has evolved. A single, simple, digital portal through which all registrations and deregistration are made would therefore be helpful. As not everyone is able to use digital services, it is important that a non-digital service is also available.

## **6. Q4. What difficulties do taxpayers new to ITSA face in complying with their obligation to notify liability? What are the causes of these issues?**

- 6.1. As explained in section 4 above, there is sometimes confusion under what circumstances taxpayers must notify HMRC of their new self-employment or property income. As discussed under question 1, GOV.UK guidance in this area could be improved and that may assist to some extent but fundamentally HMRC need to ensure that the ITSA registration process aligns with the legislation setting out who must notify liability.
- 6.2. Setting up a new self-employment is often a gradual process, for example combining employed work with planning and starting a new business, therefore in some cases it can be difficult to pinpoint an exact date when trading commenced. There can also be difficulty in understanding the exact moment when someone is actually trading as self-employed as opposed to carrying on a hobby or earning some casual income. Although there may well be a requirement to notify HMRC of miscellaneous income earned from a hobby if it is above the trading allowance, in our experience some people earning income from a hobby would not understand that this may be taxable income and it is only when they decide to turn their hobby into an 'official trade' that they consider registering with HMRC. However, by this time they may already be too late in complying with their obligation to notify HMRC of their chargeability.

- 6.3. During our work on the Self-Employment Income Support Scheme (SEISS), we came across an issue with Construction Industry Scheme (CIS) workers registered for Self Assessment but who were incorrectly completing the employment section rather than the self-employment section on their tax returns. This issue arose due to a lack of understanding about their employment status and how to complete their tax returns correctly - an area of concern for all unrepresented taxpayers. Greater education and targeted guidance would help such taxpayers - for example sending guidance on self-employment tax matters to newly CIS registered workers could help.
- 6.4. There can be practical barriers too – for instance, for people who are new to the UK and do not speak English very well and who may need to use a third party or interpreter for support or to communicate. For example, we recently heard of a case of a person with refugee status who was being assisted by a resettlement officer in the local council to bring their tax affairs up to date because they had not understood properly what they needed to do to meet their tax obligations with regards to their small sole trader business (even though every week they were reporting into the Jobcentre Plus – another part of government). The guidance<sup>1</sup> this person was given does not explicitly contain (or even link to) information about income tax Self Assessment and what they need to do to register and pay taxes.
- 6.5. Some ways to access registration and deregistration forms are put behind the Government Gateway. This can cause problems for certain demographics, as they might have more difficulty in proving their identity to obtain log-in details. For example, some low-income workers may not be able to afford to run a car and so do not have a driving licence, and they may not travel abroad and therefore may not have a passport. Such a lack of documentation can make accessing digital services via the Government Gateway very difficult, if not impossible.
- 7. Q5. How do customers new to self-employment or property income learn about the ITSA registration processes and associated tax obligations? What are the issues with this?**
- 7.1. Self-employment covers a wide variety of sectors and how a newly unrepresented self-employed taxpayer learns about the ITSA registration process will vary based on previous work experience, help from family and friends and the type of work they do. For example, many self-employed working in the construction industry will need to be CIS registered, for which you need a Unique Taxpayer Reference (UTR), and so will be required to be registered for ITSA as part of the CIS registration process. Therefore, in this industry sector many people will have had to register for Self Assessment before they started their self-employment.
- 7.2. It would be helpful if HMRC could share any customer journey research they have done in this area to identify if there are trends in certain sectors. For example, are the self-employed who trained through an apprenticeship before starting their business more aware of their tax obligations because it is part of their apprenticeship course?

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<sup>1</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/962463/English\\_only\\_-\\_web\\_accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/962463/English_only_-_web_accessible.pdf) page 36

- 7.3. For the unrepresented newly self-employed there is a concern that reliance on family and friends, or obtaining information from informal social media forums or platforms that they work through, could result in misinformation about registering for ITSA. School education about tax responsibilities and where to find accurate information is imperative here - preferably during Key Stage 4 or devolved equivalents (age 14+).
  - 7.4. We have come across examples where the newly self-employed have been asked for their Unique Taxpayer Reference (UTR) before being awarded a contract of work. This earlier registration may be beneficial for some taxpayers but it could cause unnecessary registrations for the self-employed who earn below the relevant thresholds (Class 2 NIC and the trading allowance). We have also come across an example of an engager (not under the CIS) who encouraged early registration and withheld 'tax' to help with budgeting but this was never actually paid to HMRC.
  - 7.5. Additionally, as far as we are aware, HMRC do not currently provide any information to migrant workers in their own language. They used to provide a short introductory guide to the UK tax system in many different languages, but HMRC removed it as they thought that it did not help people to integrate. See paragraph 6.4 for comments on the current guidance.
  - 7.6. In our view, such a guide would save considerable time and effort all round as some low-income self-employed such as gig workers and construction workers do not speak English as their first language. It may help migrants understand their obligations/navigate the tax system upon arrival (and so help them comply). It could also help break down any perceptions they may have about the UK establishment (that could be based on their experiences in their home countries) and encourage migrants to think of HMRC as helpful and not be reticent to seek help with a tax issue at an early stage before it becomes more problematic.
  - 7.7. It is of note that the High Volume Refund Agent (HVRA) market seems to be incredibly successful at attracting migrant workers - who (perhaps because they have English as a second language or due to cultural differences) may not feel comfortable approaching HMRC directly. We are also aware that different migrant communities are often served by 'tax advisers' who help them in their dealings with HMRC. They may not have any specific UK tax knowledge/skills but may have some relevant skills or will simply just have more experience of the UK tax system/better understanding of the English language /are considered 'wise'. It cannot be right that migrant workers feel that they have no choice but to use intermediaries that may or may not be all that reliable.
- 8. Q6. What challenges do taxpayers experience as a result of the delay between a business starting and the deadline for notification?**
- 8.1. The call for evidence states (at paragraph 3.10) that taxpayers who do not register until closer to the notification deadline 'will already have formed tax habits' and that 'poor record-keeping habits established at the start of trading become difficult to break or reverse later'. Whilst we agree that poor record-keeping habits established at the start of a trade may be difficult to break, we cannot see any evidence to support the fact that those who register close to the notification deadline or even afterwards have poorer record-keeping habits compared to those who register earlier. HMRC should carry out some research to test whether this is correct and there is in fact a link between the two, and if so, what is the scale of the problem (especially given that 70% of new registrations in

2019/20 were in the year of trade commencement). The Business Records Checks (BRC) compliance exercise, carried out between 2011 and 2016, concluded that most businesses selected for a BRC visit had adequate records. It would be helpful if HMRC revisited the data from these checks to help establish whether it was taxpayers who registered late that were identified as keeping inadequate records.

- 8.2. However, we do not think that early registration will solve these problems for all individuals as some people are generally more organised or better at budgeting or prefer to file their Self Assessment tax return early.
- 8.3. The call for evidence also suggests that some taxpayers report a payment pinch point when they file their first return. We acknowledged this point in our response to the Tax Administration Framework Review and said that bringing forward registration obligations would be a reasonable idea. However the caveats to this are that we strongly feel that the deadline should always be after the end of the tax year and any change must be supported by good guidance and communication. Bringing forward the notification of liability deadline would not, in itself, relieve the burden of the first tax payment. What could help, however, is clear guidance and early budgeting for the liability.
- 8.4. We would therefore welcome targeted guidance, such as a digital support pack, to support those who are newly self-employed after registering for ITSA to help them understand their record-keeping and tax obligations including the requirements of Making Tax Digital. It could also include information about additional services they may want to use such as the Budget Payment Plan.
- 8.5. The call for evidence also states that the time delay between a business starting and the notification deadline means that HMRC does not have an up-to-date accurate record of the self-employed population which created an issue when the government provided support during the pandemic. Whilst this is correct, changing the deadline alone would have unlikely made any difference unless also coupled with more regular reporting of income.

**9. Q7. Are taxpayers clear on what trading is, and when they started or stopped trading? What factors about trading make it difficult to decide whether or not to register?**

- 9.1. As mentioned above, it can sometimes be very clear when someone has started or stopped their self-employment, but for others starting and stopping self-employment can be a gradual process and this can affect the timing of registering and deregistering. Or it can be a fairly regular pattern of starting and stopping self-employment, for example, where someone has a mixture of short periods of self-employment and then also some periods of employment and they want to stay registered as self-employed in case they get more of this type of work.
- 9.2. As also noted above, lots of new online ways of making money are very different to traditional businesses that people may have set up and more clearly recognised as trading. We do not think that people who make money from these newer, online activities will necessarily recognise themselves as trading or running a business.
- 9.3. The growth of more casual or gig work rather than 'traditional' self-employment may make it harder to decide when to register. There are two issues here: one is how people determine whether they

need to register for ITSA based upon their income level; the second relates to the correct determination of employment status.

**9.4. *Gig work and income calculations – use of Apps***

- 9.4.1. We have concerns<sup>1</sup> that some software apps which use information directly from bank accounts are treating net trading income (sales after platform fees) as gross income, which in turn could result in some people failing to register their self-employment in accordance with HMRC’s guidance.

**9.5. *Employment status issues***

- 9.5.1. Another issue in relation to registering for self-employment is that sometimes the individual is unsure whether they are actually self-employed or employed. For example, engagers might tell workers that they are self-employed (because this is administratively simpler and lower cost to the engager – the most obvious point being the employer National Insurance contributions ‘saving’).
- 9.5.2. If the individual accepts the engager’s diktat that they are self-employed, they can easily register as such with HMRC and obtain a UTR, without any checks being carried out. The individual may well then wrongly assume that their self-employed status is ‘accepted’ by HMRC and their engager was therefore correct.<sup>2</sup>
- 9.5.3. On the other hand, the individual might think they should be treated as an employee. The confusion, or concern on the individual’s part that something is not right could lead to the individual not registering as self-employed or delaying registration.
- 9.5.4. The above issues would not be ameliorated by a change in the registration deadline.

**10. Q8. What are taxpayers’ experiences of interacting with different government departments when starting self-employment?**

- 10.1. Low-income unrepresented taxpayers may be claiming either tax credits or universal credit (UC). They may also be claiming other support such as tax-free childcare or council tax support. There are a number of problems for self-employed individuals when dealing with different government departments due to the differences in definitions of key terms between the different benefits/schemes, different evidence requirements, and potential confusion about what information is shared between departments.

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<sup>1</sup> <https://www.litrg.org.uk/latest-news/news/211202-are-you-using-trading-allowance-correctly>

<sup>2</sup> We made a similar point in our response to the Tax Administration Framework Review that people assume that HMRC have accepted things as correct if they have not been questioned or challenged. See para 5.4ff of our response document: <https://www.litrg.org.uk/latest-news/submissions/210712-tax-administration-framework-review>



*Definition issues*

- 10.2. The first issue that people face when starting self-employment is actually establishing whether they are self-employed for each different benefit or scheme. The definition of what counts as self-employed is different for tax, tax credits, tax-free childcare and universal credit. In the tax credit system, we have seen cases where HMRC have decided that someone is not self-employed for tax credit purposes but they are self-employed for tax purposes. Similarly, for universal credit (UC), although DWP will take into account the view of HMRC for tax purposes it is ultimately up to them to apply their own legislation to decide if someone is self-employed for UC purposes. There are examples where DWP may not regard the claimant is in gainful self-employment for UC – and so may have work requirement conditions attached to their claim – but at the same time, any earnings from that self-employment activity are taken into account in deciding the level of their award.
- 10.3. The definition issues aren't limited to defining who is self-employed. Measuring what counts as income from self-employment and when it counts as income can also vary. For example, for universal credit business expenses can only be deducted if they meet certain conditions including being 'reasonably incurred', which DWP determines. There is no equivalent 'reasonably incurred' test for tax purposes (only the 'wholly and exclusively' test). In addition, income for UC is considered based on income received and paid out in a monthly assessment period - there is no equivalent of accruals accounting in UC.
- 10.4. For tax, those starting in self-employment don't need to declare turnover below the trading allowance. However, such income is still counted as income for universal credit. This is extremely confusing for claimants and we think there needs to be a review of these definitions and measurements of income across the various benefits and schemes in relation to self-employment to identify whether there is any strong justification for this lack of alignment. If not, then there should be an attempt to align definitions and evidence requirements so that each government department does not check the same thing that has already been checked elsewhere, and claimants do not need to keep multiple records for broadly the same information to accommodate subtle – sometimes inexplicable - differences between the different systems<sup>1</sup>.

*Links between benefits and tax*

- 10.5. In our experience there is often an incorrect assumption that by either informing HMRC about self-employment registration and/or deregistration changes they will also inform the HMRC tax credit team, and in some cases other departments, whereas a separate notification will need to be made. This confusion is compounded by departments often using data they already hold in certain situations which gives claimants a false impression that the departments already know all the information they need.
- 10.6. Our understanding is that it is not specifically a legislative requirement by DWP for a universal credit (UC) claimant to be registered as self-employed for tax purposes if they are including self-employed

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<sup>1</sup> Areas which should be aligned are discussed in this LITRG report: <https://www.litr.org.uk/latest-news/reports/171030-self-employed-claimants-universal-credit-%E2%80%93-lifting-burdens>

income on their monthly UC assessments, but it can be a consideration when DWP are deciding whether the person is in gainful self-employment (which is relevant to the work requirements conditions of their claim). However, we understand that it is a requirement in order to claim tax-free childcare.

- 10.7. In our experience many unrepresented newly self-employed do not fully understand Class 2 and Class 4 National Insurance contributions (NIC) and consequently do not understand the importance of being registered as self-employed for the purposes of enabling the payment of Class 2 NIC and if necessary, claiming associated benefits.

**11. Q9. Do you agree that Chapter 3 sets out the challenges presented by the current registration system? Are there any others?**

- 11.1. We recognise many of the challenges listed in Chapter 3 and we have identified above a number of other challenges in the current registration system. Not all are related to the notification deadline itself. For example, on the list of issues summarised in paragraph 4.3 of the call for evidence, moving the deadline would not help address issues with taxpayers understanding the need to register, reverse the misconception that HMRC knows about them, improve HMRC's use of third party data or help taxpayers better understand if they start or stop trading.
- 11.2. For some of the other points in the list – such as the long period between starting a business and tax obligations causing problems such as poor tax habits, as we note above there is no evidence presented to suggest there is actually a link between later notification and poorer records. Research should be undertaken to look further at this. Moving the deadline itself will not deal with the issues unless it is accompanied by targeted communications and accurate guidance.
- 11.3. As we explain in our answer to question 10, there are a number of steps that HMRC could take to address the challenges and pinch-points in the current process before needing to consider moving the statutory deadline. If the statutory notification deadline is to be moved, there needs to be a clear and compelling justification.
- 11.4. As part of this consultation process, it is important that HMRC consider the current registration system holistically as part of the changes detailed in the Tax Administration Framework Review. Over the next ten years there are significant reforms planned which will affect the newly self-employed such as the Single Customer Account and MTD. Changes to ITSA registration must take into account these plans and also anticipated developments to the self-employment economy such as the continued growth of gig work, social media influencers and multiple trades.

**12. Q10. Are these the right options for changing the obligation? Which is better? Are there others?**

*Option 1: Reform the current obligation to notify liability*

- 12.1. The first proposal is to shorten the current deadline of 6 months from the end of the tax year in which the taxpayer becomes liable to 2, 3, or 4 months. As we explained in our answer to question 1, we don't think that the notification deadline is well understood or widely known and it is likely to be other factors that lead people to find information about notifying/registering (such as thinking they need to file a tax return by 31 January). As 70% of new trading registrations are within the tax year

that the trade commenced this proposal would not affect the timing for the majority of new registrations<sup>1</sup>. Therefore shortening the deadline may not have any significant impact, especially given the fact that as long as any tax and NI is paid by 31 January there will be no financial penalty for failing to notify by the deadline (and indeed this safeguard is something that should be retained – there should not be any separate financial penalty for the notification deadline that is not linked to potential lost revenue). As we noted in our Tax Administration Framework response, bringing forward the deadline might help with the pinch-point of delay in paying the first tax bill but only if people are given targeted information to help them at that earlier point.

*Option 2: Create a new obligation triggered by the start of new self-employment or property income*

- 12.2. The second proposal would be to replace the current obligation to notify with a new obligation that removes the link to the tax year.
- 12.3. For the reasons set out in section 4 above, we strongly believe it is easier for low-income unrepresented taxpayers to continue to notify after the end of the tax year. We have concerns that even taxpayers within ITSA will not realise their obligation to register within the tax year as they would consider themselves within the system already.
- 12.4. As the paper sets out, it also risks bringing people into the system who would not have otherwise entered – which increases administration costs for HMRC but also increases the risk of compliance problems and debt for taxpayers.
- 12.5. As set out in paragraph 11.2 above, this would not help address many of the issues outlined in Chapter 3 of the call for evidence.

*Other options*

- 12.6. HMRC should do further work so that they are very clear about what the problems are and how moving or changing the deadlines/requirements would help with those problems. There are several things that HMRC could do to help make things more straightforward, easy to get right and hard to get wrong in relation to the ITSA registration process without moving the registration deadline. This would deal with many of the pinch-points identified in the call for evidence and which we have identified and includes:
  - Better education and guidance for taxpayers to help them identify that they are carrying out an activity with a tax consequence in the first place, this could involve HMRC working with third parties such as YouTube and TikTok to help educate users who earn money on those platforms about their obligations. It could also include specific initiatives aimed at helping CIS workers understand their employment status or helping people who became accidental landlords.

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<sup>1</sup> Call for evidence – page 8: <https://www.gov.uk/government/consultations/call-for-evidence-income-tax-self-assessment-registration-for-the-self-employed-and-landlords>

- There is also scope for HMRC to work with other organisations, such as OFSTED, to provide tailored guidance for taxpayers who come into contact with those bodies e.g. childminders.
- Ensuring that the legislation around who must notify of their chargeability to income tax and capital gains tax is clear.
- HMRC should ensure that the guidance and interactive tools align with the legislation so that only those who have a legal obligation to notify do so. This should be supported by appropriate guidance to help people understand where it may be beneficial to register even if not legally required.
- More education and communication are needed with unrepresented taxpayers who do not have a Unique Taxpayer Reference (UTR) so they understand the necessary timings involved in registering to receive a UTR, and completing their tax return and paying tax before 31 January.
- Educating taxpayers about the timeline of how the tax system works in relation to registering/notifying and their responsibilities. The Single Customer Account should be used as a vital tool to help taxpayers with their understanding of tax processes.
- HMRC guidance and interactive tools could make it clearer that if a notice to file a tax return is issued then the person must either submit a tax return or ask for it to be withdrawn. HMRC could also make it easier for people who have registered early to withdraw a tax return.
- A review of GOV.UK guidance and interactive tools should be carried out to ensure that terminology is used consistently and that it is clear what measure is being used where thresholds are quoted (for example turnover or profit). Clearer explanations are needed on GOV.UK in relation to property income and the property allowance. Consideration should be given to how the reporting of property income process can be simplified.
- HMRC should explore opportunities through the Single Customer Account to have one place for all registrations and de-registration.
- The Government Gateway process should be reviewed to ensure everyone can register easily.
- HMRC should retain the current penalty position, ensuring that penalties are not charged for late registration if a tax return is filed and tax payments made by the required deadline.

**13. Q11. What is the right period after the start of the new self-employment or property income for the obligation to be triggered?**

- 13.1. As stated above, we think the deadline should remain after the end of the tax year.
- 13.2. If there are changes, we recommend the current penalty position on not registering for ITSA by the appropriate deadline remains unchanged. That is, penalties are generally not charged for late registration if a tax return is filed, and tax payments made by the required deadline.

**14. Q12. Do these ideas for using intermediaries and third party data to improve tax registration merit further exploration? Are there others?**

- 14.1. We welcome ideas to educate taxpayers to understand their tax affairs and responsibilities. The development of a Single Customer Account could be a useful tool to promote taxpayer awareness of

their responsibilities and to help with registration issues such as explaining when you may need to register and what the key dates are for new landlords or the self-employed.

- 14.2. Intermediaries could help to prompt tax registration, especially for unrepresented or ‘harder to reach’ taxpayers. Intermediaries such as trade organisations or business insurance brokers who identify members/customers as newly self-employed could provide HMRC guidance on ITSA registration.
- 14.3. For example, first-time licence applicants in certain sectors will be issued (by the licensing authority) with information relating to their tax obligations, with the introduction of new ‘tax conditionality’ rules from 4 April 2022.<sup>1</sup> This will be a legal requirement on the licensing authority. We welcome this aspect of the change, and throughout the consultation process prior to its introduction we have highlighted the need for this information to be clear and accessible, especially for digitally-excluded taxpayers and those who do not have English as their first language. We recommend that HMRC be more specific about the format and content of the information which is issued by the licensing authority.<sup>2</sup> In addition, HMRC should monitor the effectiveness of this change in improving timely taxpayer registration and keep the format and content of the information which is issued by the licensing authority under continuous review. There will be clear lessons to learn from this on how using third parties can help improve tax registration more generally.
- 14.4. However, if third party data is used, then HMRC must clarify who is responsible for keeping it up to date and for any failure to register. For example, if HMRC has third party data, say from a trade organisation, that an individual was self-employed but failed to use it to issue a notice to file a tax return then would the individual still be responsible?
- 14.5. There may be an issue with using third party data because in some cases there may be no requirement to register for self-employment. For example, if the taxpayer has not yet begun trading and so joining a trade association is pre-trading expenditure or if their income is below the trading allowance threshold.
- 14.6. It may be worth considering how third parties who may be involved in property conveyancing or letting can assist the taxpayer in becoming aware of their tax obligations on a new source of income. We understand solicitors and estate agents were reluctant to accept any legal requirement to impart information on the capital gains tax reporting rules when a property is sold – but this should not prevent such third parties from inviting taxpayers to consider the tax consequences of a new source of income (or a disposal) as a matter of best practice.
- 14.7. In addition, HMRC should consider how they can make more timely use of transactional data from third parties or public sources, such as the Land Registry, to trigger awareness-raising

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<sup>1</sup> <https://www.gov.uk/government/publications/new-tax-checks-on-licence-renewal-applications/new-tax-checks-on-licence-renewal-applications>

<sup>2</sup> <https://www.litrg.org.uk/latest-news/submissions/211117-draft-regulations-tax-conditionality-hidden-economy>

communications about possible income tax liabilities on new income streams (or capital gains tax liabilities on disposals). Although property transaction data may not, of itself, show whether the individual intends to let out that property, HMRC could look at property transactions which attract the higher rate of stamp duty land tax (or devolved equivalents) and make the reasonable inference that, because it is necessarily not a replacement of a main residence, the taxpayer may intend to let that property out.

LITRG  
21 March 2022