EXPLANATORY MEMORANDUM TO

THE DATA-GATHERING POWERS (RELEVANT DATA) (AMENDMENT) REGULATIONS 2015

2015 No. 672

1. This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC) on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument updates the data that banks and building societies may be required to provide to HMRC, alongside changes to rules concerning who can register with financial institutions to have interest on their savings paid without deduction of tax.

3. Matters of special interest to the Select Committee on Statutory Instruments.

3.1 None.

4. Legislative Context

4.1 Schedule 23 to the Finance Act 2011 enables regulations to be made requiring a person by or through whom interest is paid to provide certain information (relevant data) to HMRC. Regulation 8 of the Data-gathering Powers (Relevant Data) Regulations 2012 (S.I. 2012/847) ("the 2012 Regulations") specifies the relevant data that may be required from financial account providers in circumstances where a certificate has been supplied to them under regulation 4 of the Income Tax (Deposit-takers and Building Societies) (Interest Payments) Regulations 2008 (S.I. 2682/2008) ("the 2008 Regulations"). Such a certificate enables the account provider to pay interest on an account without the deduction of an amount representing income tax.

4.2 Section 3 of the Finance Act 2014 reduced the starting rate for savings to 0%, with effect for the tax year 2015-16. The 2008 Regulations are being updated to enable additional savers who are eligible for the new 0% starting rate to supply a certificate to their account provider. This will allow their savings interest to be paid without the deduction of an amount representing income tax. These Regulations make a consequential amendment to the 2012 Regulations as a result of those changes.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1. As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- What is being done and why

7.1. At Budget 2014 the Chancellor announced a reduction in the starting rate of tax for savings income from 10% to 0% and an increase in the threshold for this rate to £5,000. This will increase by around 1 million the number of savers eligible to register with their bank for interest to be paid without the deduction of an amount representing income tax.

7.2. The 2008 regulations are to be amended to change the rules on the certificate used to register accounts for such gross interest. This is because - from 6 April - some savers will be eligible to register accounts for gross interest even if they pay income tax on other income, such as earnings or pensions. Previously, only those whose entire income was below their personal tax-free allowance could register their accounts. The effect of the change will be that an eligible saver will certify that they are not liable to pay income tax on their savings income (rather than not being liable to pay any income tax on any income).

7.3. This instrument makes a consequential amendment to the 2012 Regulations, which require banks and building societies to report certain information about registrations for gross interest to HMRC.

- Consolidation

7.4 There are no plans to consolidate the 2012 Regulations.

8. Consultation outcome

8.1 This instrument provides a minor and consequential update to information requirements for which wider consultation was not required.

9. Guidance

9.1 HMRC's Guidance Notes on TDSI will be updated to reflect the changes. The Guidance Notes are available at https://www.gov.uk/government/publications/guidance-notes-for-financial-institutions

10. Impact

10.1 It is anticipated that banks and building societies could receive certificates from up to 900,000 additional savers. However, as account providers already have well-established and simple processes in place to process such certificates and provide relevant data to HMRC the overall impact on businesses is expected to be negligible.

10.2 The impact on charities and voluntary bodies is expected to be negligible.

10.3 The impact on the public sector is expected to be negligible.

10.4 A Tax Information and Impact Note covering this instrument was published at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/293793/TIIN_8073_8076_the_starting_rate_of_tax_for_savings.pdf

11. Regulating small business

11.1 The instrument applies to small banks and building societies.

11.2 To minimise the impacts of the requirements on small firms employing up to 20 people, the approach taken is to apply the same basic requirements as apply to all affected businesses and monitor the impact of these changes.

12. Monitoring & review

12.1 HMRC will continue to monitor impact through regular contact with representative groups for account providers.

13. Contact

Simon Turner at HMRC can answer queries regarding the instrument on behalf of HM Treasury - Tel: 03000 546588 or email: simon.turner@hmrc.gsi.gov.uk.