



# The contribution that company regulation might make to the tax gap

A Coffers Working Paper on the approach to be adopted to research on this issue

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## Document Details

<i>Work package</i>	WP1 and WP4
<i>Lead Beneficiary</i>	City, University of London
<i>Deliverable ID</i>	D 1.4
<i>Date</i>	March 31 2018
<i>Submission</i>	Month 18, 2018
<i>Dissemination Level</i>	PU – Public
<i>Version</i>	1.0

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# Acknowledgements

The project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 727145.

The cooperation of Markus Meinzer of the Tax Justice Network in the production of this paper is acknowledged.

## 1. Abstract

There has been an increasing focus on almost all aspects of financial transparency since the onset of the Global Financial Crisis in 2008. This has resulted in international cooperation to deliver measures such as country-by-country reporting, the automatic exchange of tax related information between tax authorities, including those of tax havens, and the recording of the beneficial ownership of both companies and trusts on public record. Backed by authorities such as the OECD and European Union reform in these issue has proceeded at pace. There are, however, questions left unanswered as a result. In particular it has not been known whether the capacity to process data has advanced to meet the demand for information that the new procedures presume to exist. This paper sets out the approaches that members of the Coffers research project propose using to research one aspect of this issue, which is the administrative capacity available within company data registries within EU member states. The research is designed to evidence the available support that these registries might supply to facilitate the tackling of illicit financial flows, including tax evasion. This support includes enforcing the collection of appropriate accounting and beneficial ownership data. The methods proposed include surveys of all the European Union's member states' company registries; a specific survey on the work of the UK's company registry and a literature review to act as the foundation for the appraisal of the findings. It is anticipated that recommendations for action will be made.

Key words: Global Financial crisis, company registries, illicit financial flows, tax evasion, accounts on public record, beneficial ownership, automatic information exchange, tax authorities.

## 2. Introduction

The Global Financial Crisis the developed in 2008 led to a fevered reaction (Dietsch, 2015, 112) amongst national and international regulators as they sought to address shortfalls in national finances created by the collapse in their taxation revenues (Blyth, 2013, 46). After initial proposals for regulatory reform proved short lived (Murphy, 2017), focus rapidly shifted to the creation of enhanced financial transparency as a means to both broaden the tax base and to, more particularly, close the tax gap. In no small part this was the result of pressure from civil society (Murphy, 2006, 2008, 2011a, 2012 and 2014a). The International Monetary Fund says of the tax gap:

*A commonly used definition of the tax gap is the difference between current and potential collections. Under this definition, the term "tax gap" tends to describe the difference between the actual tax collections and the tax collections a revenue administration should collect given the current policy framework (potential collections). (IMF 2013,11)*

The reaction to this pressure was a raft of measures to tackle the various component elements of the tax gap, with an emphasis on three of its five tiers as identified by Murphy and Petersen (2017), namely tax evasion, tax avoidance and losses arising due to administrative inefficiencies within tax authorities including failure to recover debt owing by taxpayers. The programme that has attracted the most attention is the OECD Base Erosion and Profits Shifting (BEPS) programme (OECD, 2015). This multifaceted programme has sought, in the context of the remit of this paper, to tackle tax avoidance by multinational corporations using a range of measures to address profit shifting whether by the use of hybrid entities, the abuse of transfer pricing rules or arbitrage of the rules of tax permanent establishments, and other such methods. The matters addressed are significant, but because the identity of multinational corporations is known (the law in many countries now requiring the parent companies of such entities to publish a list of all the companies that are included within the scope of their financial reporting) that programme does not address issues that more commonly relate to tax evasion.

Of particular concern with regard to tax evasion (which may, by value, be five times more significant than tax avoidance (Murphy, 2012)) is the seemingly widespread practice of individual taxpayers who fail to report their income to a tax authority that has a right to know about it, whether that income is reported in their own name or that of a company or trust that they control and whether in the jurisdiction in which they are themselves resident or otherwise. The result of efforts to tackle this issue was two measures that were unimaginable only a few years earlier<sup>1</sup>. The first was the introduction of what is called automatic information exchange ('AIE') of tax sensitive information between participating tax authorities (OECD, 2014a). The OECD has said of this (OECD, 2018a):

*As the world becomes increasingly globalised and cross-border activities become the norm, tax administrations need to work together to ensure that taxpayers pay the right amount of tax to the right jurisdiction. A key aspect for making tax administrations ready for the challenges of the 21st century is equipping them with the necessary legal, administrative and IT tools for verifying compliance of their taxpayers. Against that background, the enhanced co-operation between tax authorities through AEOI is crucial in bringing national tax administration in line with the globalised economy.*

The second was the developing requirement that the beneficial ownership of both companies and trusts be recorded (European Commission, 2017) so that those responsible for the actions of these entities and who might have tax liabilities arising as a consequence of their activities might be identified without dependence upon taxpayer notification, which research by Johns and Slemrod (2010) would suggest necessary since, as they found, transactions not directly notified by a third party to a tax authority are very much less likely to be appropriately reported to that authority by those required to do so than those transactions that are reported directly or are easily identifiable as to source. The logic of reporting beneficial ownership developed in anti-money laundering action, but is now seen to have very clear application for tax purposes and without it automatic information exchange of tax data would have little benefit (G20, 2014 and Knobel, Meinzer and Harari, 2017).

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<sup>1</sup> For example, in June 2009 one of the authors of this paper was told by officials in the UK Treasury that automatic information exchange from tax havens would not happen in his lifetime. It is now happening. He is still alive to tell the tale.

Because of the recognition of the importance of effective company registries in tackling tax evasion the failure to deliver such registries also contributes to the fifth tier of the tax gap in the Murphy and Petersen model, which is that resulting from tax and other related authorities' administrative failings as a result of the spillover effects such failings have on tax evasion (Baker and Murphy, 2017).

The assumption implicit in the work that this paper describes is that to be effective in its work a tax authority needs to know that the domestic company registrars in its jurisdiction are undertaking two tasks effectively. The first is that they are ensuring that accounts that meet the requirements of local applicable accounting standards exist. This is essential if data suitable for use as the basis for assessment of corporation tax due and for the determination of other tax liabilities is to be available to tax authorities. Second, tax authorities must presume that the registrar(s) in question have procedures in place to appropriately identify the beneficial owners and managers of the companies in question. In combination both types of information are necessary if the tax authority of any jurisdiction that has agreed to the automatic exchange of information under the terms of the OECD's Convention on Mutual Administrative Assistance in Tax Matters (OECD, 2018b) is to have the information it needs to supply to other authorities. The domestic tax authority also needs that same data with regard to domestically owned companies to ensure that the tax obligations of those companies are appropriately fulfilled. It should be noted that the tax authority in question is, perforce, dependent upon the assumption that the tax authorities of other jurisdictions that are sending it data have access to information of similar quality from the registrars of companies acting within their domains. As such the issue addressed is one of bilateral, multilateral and domestic concern within the political economy of current taxation practice.

The failure of any of these assumptions would have potentially serious implications in the context of the OECD's framework for information exchange. The OECD Common Reporting Standard (OECD, 2014b) does, for example, place primary obligation for identifying the beneficial ownership of a company on the financial institution that supplies services to it. However, beyond some rather basic data that must be supplied as a consequence the recipient tax authority of the information in question is then reliant on securing information from the country supplying it to answer any queries that might arise in the pursuit of potential tax liabilities due. Answers to such questions might be made by the recipient tax authority in the country to which enquiry is made if it has it available, but in the event that it does not hold it (and, for example, data on beneficial ownership is not required to be submitted as part of tax return disclosure by most tax authorities) it must have recourse to any available data source. This issue is particularly sensitive when the company about which enquiry has been made has not submitted either accounts or a tax return to the tax authority of the country to which enquiry has been made (which may, of course, be entirely legally appropriate: not all countries have either a corporation tax or impose a requirement that detailed accounts be submitted in support of such a return). There is evidence that this non-submission might be common place, at least in the UK (Murphy, 2014b). In that case the only possible source of the necessary data to ensure tax might be paid is, by recourse, to the registrar of companies for the jurisdiction from which data is sought.

This, by default, will also always be true with regards to the enforcement of accounting standards. These are virtually meaningless when no one enforces them, and in the absence of any audit

requirement for the vast majority of companies across the EU<sup>2</sup> only a company registrar that monitors this issue is able to ensure that the necessary information is available.

The work this paper describes does then seek to determine if these standards, which underpin the OECD promoted system of automatic information exchange that is seen as being at the forefront of the mechanisms intended to tackle abuse, and which is now supported by EU standards on the recording of beneficial ownership, can fulfil the expectations laid upon them.

### **3. Methodology**

Three approaches are being adopted to provide the best opportunity of achieving the goals of this work. The first is a literature review. Given that the academic literature on this issue is relatively sparse this will necessarily also involve a review of that material available from regulatory authorities themselves. It is not at present possible to anticipate the findings of this work.

Secondly, a survey of the EU member states company registries will be conducted. This is not quite as straightforward as it sounds: information on the company registrars of the EU is not that easy to locate. An EU web site (European Commission, 2018) does provide some basic data but leaves a wide range of questions as to data availability, the means of accessing it, the cost of doing so and its completeness once access to the register is secured open to question even though regulation on issues relating to company registries does exist at a European level (European Parliament, 2012).

Thirdly, a specific case study addressing issues relating to corporate tax and company administration in the UK is to be undertaken with data to be supplied by answers given to parliamentary questions raised by members of the UK House of Commons All Party Parliamentary Group on Responsible Taxation<sup>3</sup> in February 2018. These questions are attached as appendix 2 to this paper. Answers provided to date are available on the parliamentary pages of Nigel Mills MP<sup>4</sup> and The Rt Hon Dame Margaret Hodge MP<sup>5</sup>. This work builds on previous reports by one of the authors of this paper (Murphy, 2011b and Murphy, 2014b). The purpose of the work is to examine non compliance in both areas and see whether over a period of a decade for which data should now be available whether patterns of behaviour that might be of consequence can be noted.

### **4. Anticipated outcomes**

#### **a. Literature review**

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<sup>2</sup> See <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02006L0043-20140616> for legislation on this issue accessed 26.3.18

<sup>3</sup> <https://www.appgresponsibletax.org.uk/> accessed 25.3.18

<sup>4</sup> <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-questions-answers/?house=commons%2clords&max=20&member=4136&page=1&questiontype=AllQuestions> accessed 25.3.18

<sup>5</sup> <https://www.parliament.uk/biographies/commons/dame-margaret-hodge/140/parliamentary-activities> accessed 25.3.18

The key constraint on any literature review that will be undertaken is the limited availability of resources to assess the effectiveness of regulation by company registries. In addition, as far as we are aware there is almost no academic literature on this issue, despite its emerging significance.

This situation is replicated amongst those agencies with an interest in this issue. For example, although the European Commission maintains a website (European Commission, 2018) with very basic information on the business registries in the European Union it does not appear to have undertaken any evaluation of their capacity or performance.

The situation is slightly better with regard to civil society organisations, where a few have undertaken some research into institutional frameworks and specific legal requirements of company registries. Among those are Open Corporates, which has reviewed the openness of corporate data (Open Corporates, 2018). As they note<sup>6</sup>:

*Despite the importance of company registries, as they are usually intended to be the canonical reference source for the legal information about companies, they are often hard to find. There is no comprehensive directory of company registries, making them difficult to track down, either through central government sites, or through search engines.*

*Once registries have been found, they are often difficult to use. It is often unclear if a registry covers all companies in a jurisdiction. The quality or accuracy of the information contained in these registries is often in doubt, and frequently the register's legal status is not mentioned. All too often most or all of the data is difficult to view.*

This challenge will also be found in the current work. This fact is to be found in the results of their survey work, which is less ambitious than that proposed in the current work. Marking countries out of 100, it is notable that two European Union member states scored highest marks using their methodology<sup>7</sup>, securing 90 marks each (Denmark and the United Kingdom). It is, however, notable that some EU member states did not do so well: Austria managed no points at all; Italy was awarded just 10 and Croatia, Estonia, Germany, Greece, Malta, the Netherlands and Portugal were all awarded just 20 points, putting them in the company of many tax havens. Such findings suggest the significance of the current work. The Financial Secrecy Index, published by the Tax Justice Network (Tax Justice Network, 2018) has reviewed requirements on beneficial ownership registration and account publication through company registries. This provides data on some aspects of this issue but not at the issue as a whole (Tax Justice Network, 2018). The work of Murphy (2011b and 2014b) provides a single country perspective on the issues in question, focusing solely on the United Kingdom and found significant weaknesses within the operation of the registers in that country, belying this impression given by the Open Corporates survey.

In contrast, different tools for the comparative assessment of the performance of tax administrations have been developed by international organisations over the last decade. These include the TADAT (Tax Administration Diagnostic Assessment Tool) which is an integrated evaluation tool of the performance and development of a tax administration in a collaborative manner, initiated in 2011 by

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<sup>6</sup> See <http://registries.opencorporates.com/methodology> accessed 4 April 2018

<sup>7</sup> See <http://registries.opencorporates.com/> accessed 4 April 2018

the International Monetary Fund. However, to date only ten summary assessments have been published, none coming from the EU (International Monetary Fund, 2018).

Another such tool is the Tax Administration Survey of the OECD's Forum on Tax Administration (FTA) that has been published every 2 years since 2004. Its coverage has been expanded to include 22 non-OECD countries in its latest iteration (OECD, 2017), including all EU member states. These reports are fully public. This does not, unfortunately, cover access to company registry data but indicates that there are concerns on related issues.

Finally there is the RA-FIT (Revenue Administration Fiscal Information Tool). This initiative emanated from the IMF's Fiscal Affairs Department technical assistance work (International Monetary Fund, 2015). Round 2 was completed by 90 countries but the data collected by the RA-FIT module however is not published in a country level breakdown for most countries/regions. The European Union has undertaken such reviews in the past (EuroSAI, 2008).

What this suggests is that whilst the evaluation of the capacity of tax administrations is changing rapidly and the landscape of publicly available, comparable data for the jurisdictions of main interest to COFFERS has been assisted by the publication of the latest OECD survey on this issue (OECD, 2017) there is currently no significant overview available on the published statistics or datasets by national tax administrations. Importantly, there is almost no comparable data on the resourcing and performance of corporate registries available. To help fill these gaps is a key objective of COFFERS surveys.

The work to be undertaken during the course of this project will seek to improve upon the work covered in this literature review and enhance it by the publication of new information.

#### **b. Company registry survey**

The company registry survey to be undertaken as a part of Work Program 2 of COFFERS will seek to secure the information that is noted to be missing in the above summary literature review. However, as conversations with tax administration officials of various backgrounds confirm a major obstacle is likely to be the perception of the sensitive nature and confidentiality of the data involved. As any data related to tax touches upon the core of statehood and sovereignty, it is often jealously guarded and some jurisdictions may be unwilling to share data that may reveal shortcomings in sensitive functions of tax administration or company registration. We do, however, believe that the survey is worth pursuing precisely to discover what sensitivities there are around this issue, and the degree to which those responsible for ensuring that there is transparency with regard to beneficial ownership are themselves willing to be subject to that standard in the course of their work.

The proposed questions are noted in appendix 1. These may be subject to change before final submission.

#### **c. UK specific survey**

This survey is intended to complement the other work being undertaken in Work Package 2. It extends previous work by one of the authors this paper (Murphy, 2011b and Murphy, 2014b).

This work is intended to reveal longer term trends in company incorporation and registration, and tax administration in the United Kingdom, and to reveal whether there are any associated trends in the data for both.

The questions to be used for the purposes of this survey are noted in appendix 2. These questions were submitted by UK Members of Parliament who are also members of the All Party Parliamentary Group on Responsible Taxation in February 2018. Answers are now being supplied by UK authorities to these questions and as such data to undertake the survey will be available.

## 5. Conclusions

The work that will be undertaken by those participating in this part of the Coffers project will address an issue that has become profoundly topical in current tax administration debates but which has been little studied by academia, and which has been the subject of very few reviews by any international regulatory organisation. As such we hope to make a significant contribution to debates on this issue as a consequence of the publications that should flow from the work to be undertaken, as outlined in this paper.

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## Appendix 1

The proposed survey questions to be sent to the European Union company registries.

*Please note these may be refined as yet and before the survey is finally sent.*

### 1. The premise of the survey

- It is now realised that company registries play a key role in the fight against tax abuse;
- Companies are a key tool used by both tax avoiders and tax evaders;
- A new focus on having both the beneficial ownership of companies and the annual accounts of all limited liability entities on public record suggests that this focus of attention will grow;
- Almost no academic research has been dedicated to this issue: the aim is to correct that and suggest the role that imposed company regulation might play in tackling the tax gap.

### 2. Anticipated targets for the survey

- All EU member states' company registries including at sub-national level if appropriate.

## 1. Anticipated survey questions

### a. Background data requests

- Which companies and other entities does your agency register?
- Under what legislation do you operate?
- Are you a registrar or are you a regulator? In other words, do you simply file submitted data or do you have a responsibility to check its truth and accuracy and then have a legal right to ensure that any error is corrected and / or that prosecutions result?
- How many offices do you maintain?
- How many entities, by type, has your Registry maintained records for in each of the last four years?

### b. Does the Registry receive state support to undertake its work?

- Follow up question: is the Registry entirely funded by fees charged?
- If the Registry publishes accounts on public record might we have a copy or a link to them?

### c. Might you provide a table of the most common fees charged or a link to the location where this information might be found?

### d. Taking into consideration information the last four annual reporting periods for which data has been prepared might you please advise:

- How many entities were recorded on the Register at the start of the period being considered?
- How many entities were incorporated and so added to the Register during the course of each year?

- How many entities were removed from the Register during each period?
- Of those entities removed during the course of each period how many were removed as a result of
  - Liquidation during the period?
  - At their own voluntary request?
  - As a result of a decision made by the Registrar because of non-compliance with legal requirements?
  - Other reasons?
    - Please provide explanation as to the major causes.
- How many entities were recorded on the Register at the end of each period?
- If other information is required to renoncier the number of entities recorded on the Register in each period might you provide it?

**e. Ownership and management data**

- How many of the entities on the Register in each of the last four annual reporting periods appear to be:
  - Controlled by entities or persons not resident in your jurisdiction?
  - Managed by non-resident persons because, for example, the directors are not apparently living within your jurisdiction?
- What proportion of all those recorded as holding directorships or equivalent status on the Register in each of the last four annual reporting periods recorded a domestic residential address outside your jurisdiction?

**f. Document filing**

- How many entities filed their accounts as required by law during the course of each of the last four annual reporting periods?
- Might you please provide the following additional information for each period with regard to the filing of accounts:
  - How many entities did not file their accounts as required by law during the course of the period?
  - How many entities were not required to file their accounts by law during the course of the period?
  - How many of the accounts that entities sought to file during the period were rejected and required resubmission?
- How many of the entities that were required to submit a return providing information as to their management and ownership during the last four annual reporting periods actually did so?
- How many of the returns that entities were required to submit providing information as to their management and ownership were rejected and required resubmission during each of the last four periods for which records are available?
- How many entities were not required to submit a return providing information as to their management and ownership during the last four annual reporting periods?
  - Might you explain why this was the case?

**g. Penalties**

- What value of penalties were charged to entities not filing either accounts or a return providing information as to their management and ownership during each of the last four annual reporting periods and what proportion of these sums owing were actually paid in each period?
- How many prosecutions for failing to comply with the requirements to file either accounts or a return providing information as to their management and ownership were made during each of the last four annual reporting periods?
- How many of these prosecutions were successful?

**APPENDIX 2**

**Suggested UK Parliamentary Questions to establish the scale of corporation tax losses as a result of weaknesses in HMRC and Companies House administration.**

**1. HMRC questions**

a) The objectives

1. To establish baseline information on:

- a. The number of companies to be taxed;
- b. The amount of profit subject to tax;
- c. The number of companies not taxed;
- d. The number of companies that do not comply with the requirement to submit tax returns when asked;
- e. The penalties charged for non-submission of tax returns, and whether they are paid or not;
- f. Interaction with Companies House;
- g. Investigations;
- h. The number of staff dedicated to corporation tax inquiries;
- i. Data by parliamentary constituency (which they have as they produce some corporation tax data on that basis).

2. The aim is to:

- a. Determine the proportion of the corporate population that pays tax;
- b. To determine the geographic spread of this data;
- c. To appraise non-compliance rates and effectiveness at pursuing non-compliance;
- d. To appraise the effectiveness of the relationship with Companies House in pursuing non-compliance.

**b) The questions**

1. To ask the Chancellor of the Exchequer what estimate HM Revenue and Customs made of the number of companies liable for corporation tax in (a) 2012-13, (b) 2013-14, (c) 2014-15, (d) 2015-16 and (e) 2016-17; how many such companies were sent a corporation tax return for an accounting period ending in each of those years; how many submitted the corporation tax return (i) within the required time limit and (ii) after the limit in each of those years; and how many were not sent a corporation tax return or a reminder to submit one in each of those years.
2. To ask the Chancellor of the Exchequer how many corporation tax payers submitted a corporation tax return to HM Revenue and Customs in respect of an accounting period ending in the tax years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17; how many of those declared profits giving rise to corporation tax liability in each such year; what the combined (i) monetary value of such profits and (ii) associated liability for corporation tax was in each such year; how many returns declared a loss in each year; what the combined monetary value of such losses was in each such year; if this information might be supplied by parliamentary constituency based upon the registered address of the company for 2015 – 16 and if he will make a statement.
3. To ask the Chancellor of the Exchequer how many corporation tax returns were requested of companies based on the parliamentary constituency in which their registered office was located in the tax year 2015 – 16 and of those requests how many returns were received, again by parliamentary constituency.
4. To ask the Chancellor of the Exchequer what the sum total of corporation tax paid based on the registered office of companies sorted by parliamentary constituency was in the tax year 2015 - 16.
5. To ask the Chancellor of the Exchequer how many companies were not sent corporation tax returns in respect of their accounting periods ending in each of the tax years (a) 2012-13, (b) 2013-14, (c) 2014-15, (d) 2015-16 and (e) 2016-17 and to provide the five most common reasons why such requests were not made.
6. To ask the Chancellor of the Exchequer how many notices of intention to strike a company from the Register of Companies HM Revenue and Customs were received in the tax years (a) 2012-13, (b) 2013-14, (c) 2014-15, (d) 2015-16 and (e) 2016-17.
7. To ask the Chancellor of the Exchequer how many notices of intention to strike a company from the Register of Companies HM Revenue and Customs raised an objection to in the tax years (a) 2012-13, (b) 2013-14, (c) 2014-15, (d) 2015-16 and (e) 2016-17.
8. To ask the Chancellor of the Exchequer what five reasons HM Revenue and Customs has most frequently given in objection to the striking off of a company from the Register of Companies in each tax year since 2012-13; and if he will make a statement.

9. To ask the Chancellor of the Exchequer in how many cases where HM Revenue and Customs raised objection to the striking off of a company by the Register of Companies was that objection acted upon by the Registrar of Companies in *(i)* 2012-13, *(ii)* 2013-14, *(iii)* 2014-15, *(iv)* 2015-16 and *(v)* 2016-17; in how many such cases was additional tax revenue raised as a result of that objection in each such year; and how much additional revenue was raised as a consequence in each such year.
10. To ask the Chancellor of the Exchequer what estimate were made of the revenue forgone by the Exchequer from *(a)* corporation tax, *(b)* income tax, *(c)* National Insurance contributions, *(d)* value added tax and *(e)* other taxes as a result of companies being struck from the Register of Companies in *(i)* 2012-13, *(ii)* 2013-14, *(iii)* 2014-15, *(iv)* 2015-16 and *(v)* 2016-17 and to supply the data for 2015-16 sorted on the basis of the registered office of the companies giving rise to the loss.
11. To ask the Chancellor of the Exchequer how many of the companies that were incorporated registered for corporation tax in each of the years *(i)* 2012-13, *(ii)* 2013-14, *(iii)* 2014-15, *(iv)* 2015-16 and *(v)* 2016-17; how many of these were granted exemption from filing corporation tax returns in each of those years as a result of information provided during the registration process; how many of those were granted that exemption on the grounds of being dormant; and how many enquiries were raised each year by HMRC into those companies that did not register for corporation tax on the grounds that it was suspected that they were trading and how many of those enquiries in each year showed that the company in question was trading and to supply that data based on the registered office address of the companies in question sorted by parliamentary constituency in respect of the year 2015 – 16.
12. To ask the Chancellor of the Exchequer whether a standard period of exemption from filing corporation tax returns was granted to companies which claimed to be dormant in the tax years *(i)* 2012-13, *(ii)* 2013-14, *(iii)* 2014-15, *(iv)* 2015-16 and *(v)* 2016-17 and why that period of exemption was chosen.
13. To ask the Chancellor of the Exchequer what the average duration of an exemption from filing corporation tax returns granted to a company that claimed to be dormant was in the tax years *(i)* 2012-13, *(ii)* 2013-14, *(iii)* 2014-15, *(iv)* 2015-16 and *(v)* 2016-17.
14. To ask the Chancellor of the Exchequer how many inquiries into the suspected abuse of dormant company status for corporation tax purposes were undertaken in *(i)* 2012-13, *(ii)* 2013-14, *(iii)* 2014-15, *(iv)* 2015-16 and *(v)* 2016-17 and how many abuses of that status were discovered as a result with what revenue recovered.
15. To ask the Chancellor of the Exchequer how many penalty notices were issued in respect of the late submission of corporation tax returns in each of the tax years *(i)* 2012-13, *(ii)* 2013-14, *(iii)* 2014-15, *(iv)* 2015-16 and *(v)* 2016-17 and what the monetary value of those penalties was in each of the years in question and to supply that data based on the

registered office address of the companies in question sorted by parliamentary constituency in respect of the year 2015 – 16.

16. To ask the Chancellor of the Exchequer what the monetary value of corporation tax penalties for late submission of tax returns charged but not paid were in each of the tax years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17.
17. To ask the Chancellor of the Exchequer what value of penalties due by companies for failing to submit a corporation tax return was outstanding at the end of (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17.
18. To ask the Chancellor of the Exchequer what the value of corporation tax penalty notices for the late submission of corporation tax returns were written off as irrecoverable debt in each of the tax years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17.
19. To ask the Chancellor of the Exchequer how many of the penalty notices issued to companies as a result of their failure to submit a corporation tax return on time in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 were withdrawn as a result of successful appeals by the companies to whom they were issued; what value of penalties were cancelled as a result of such appeals in each such year; and if he will make a statement.
20. To ask the Chancellor of the Exchequer how many inquiries were raised into the corporation tax returns of companies submitted in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17; how many of those resulted in additional tax being due in each year; what that sum of additional tax due was by tax year; and what part of that additional tax due was actually paid by tax year.
21. To ask the number of staff engaged in corporation tax inquiries in the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 split between those engaged in the Large Business Service and elsewhere.

## **2. Companies House questions**

### **a) The objectives**

1. To establish baseline information on:
  - a. The number of companies;
  - b. Their geographic spread;
  - c. Their compliance with regulatory obligations;
  - d. The effectiveness of the penalty regime;
  - e. The number of staff dedicated to ensuring compliance.

## 2. Objectives

- a. Appraise Companies House's effectiveness;
- b. To assist appraisal of HMRC's effectiveness in recovering corporation tax;
- c. To secure publicity on this issue.

### **b) The questions**

1. To ask the Secretary of State for Business, Energy and Industrial Strategy how many companies were struck off the Register of Companies in (a) England, (b) Wales, (c) Scotland and (d) Northern Ireland in action instigated by (i) the company and (ii) the Registrar in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 ; how many such applications in each category did not proceed because objections were received; in respect of which such objections how many were received from HM Revenue and Customs; how many such applications in each category resulted in a striking off within six months of an objection being made regardless of that objection; how many companies struck off in each category (1) never filed accounts and (2) had accounts overdue for filing at the time the application was made; how many strikings-off initiated by the Registrar in each category were in cases where accounts were overdue for filing at the time the Registrar commenced action to strike off; and how many months each company in each category struck off by the Registrar had been in existence since their incorporation.
2. To ask the Secretary of State for Business, Energy and Industrial Strategy how many companies had their registered office in each parliamentary constituency in the tax year 2015-16;
3. To ask the Secretary of State for Business, Energy and Industrial Strategy how many companies were struck off in the year 2015 – 16 split on the basis of the parliamentary constituency in which their registered office was located.
4. To ask the Secretary of State for Business, Energy and Industrial Strategy how many companies failed to file their (1) financial statements or (2) annual return or confirmation statement on time in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17.
5. To ask the Secretary of State for Business, Energy and Industrial Strategy how many of the companies that failed to file their (1) financial statements or (2) annual return or confirmation statement on time in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 subsequently did so?
6. To ask the Secretary of State for Business, Energy and Industrial Strategy how many companies were issued with penalty notices in respect of their failure to file their (1) financial statements or (2) annual return or confirmation statement on time in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 and what the aggregate

total monetary value of penalties issued for each of these two reasons was in each of the years in question.

7. To ask the Secretary of State for Business, Energy and Industrial Strategy what value of penalties issued to companies failing to file their (1) financial statements or (2) annual return or confirmation statement on time in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 were paid.
8. To ask the Secretary of State for Business, Energy and Industrial Strategy what aggregate value of penalties charged to companies that failed to file their (1) financial statements or (2) annual return or confirmation statement on time were outstanding at the end of each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17?
9. To ask the Secretary of State for Business, Energy and Industrial Strategy what aggregate value of penalties charged to companies that failed to file their (1) financial statements or (2) annual return or confirmation statement on time were written off as bad debts in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17?
10. To ask the Secretary of State for Business, Energy and Industrial Strategy how many companies were considered to be dormant in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17?
11. To ask the Secretary of State for Business, Energy and Industrial Strategy how many companies had their financial statements rejected as being unsuitable for filing in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17?
12. To ask the Secretary of State for Business, Energy and Industrial Strategy how many staff were employed to check that companies filed financial statements that complied with the requirements of the Companies Act 2006 and other appropriate legislation and regulation in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17?
13. To ask the Secretary of State for Business, Energy and Industrial Strategy what checks are undertaken on the financial statements presented by companies for filing at Companies House before they are accepted as meeting the requirements of the Companies Acts 2006 and associated legislation and regulations?
14. To ask the Secretary of State for Business, Energy and Industrial Strategy how many prosecutions there were in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 because a company submitted financial statements that failed to comply with the requirements of the Companies Act 2006 and associated legislation and regulation and what the outcome of those prosecutions was in terms of success and penalties imposed?
15. To ask the Secretary of State for Business, Energy and Industrial Strategy how many staff were employed to check that companies filed annual returns of confirmation statements that

complied with the requirements of the Companies Act 2006 and other appropriate legislation and regulation in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17?

16. To ask the Secretary of State for Business, Energy and Industrial Strategy what checks are undertaken on the confirmation statements presented by companies for filing at Companies House before they are accepted as meeting the requirements of the Companies Acts 2006 and associated legislation and regulations?
17. To ask the Secretary of State for Business, Energy and Industrial Strategy how many prosecutions there were in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 because a company submitted an annual return or confirmation statement that failed to comply with the requirements of the Companies Act 2006 and associated legislation and regulation and what the outcome of those prosecutions was in terms of success and penalties imposed?
18. To ask the Secretary of State for Business, Energy and Industrial Strategy how many confirmation statements have been challenged on the basis that beneficial ownership has been inappropriately declared since the requirement to make that declaration was introduced and to make a statement.
19. To ask the Secretary of State for Business, Energy and Industrial Strategy how many prosecutions there were in each of the years (i) 2012-13, (ii) 2013-14, (iii) 2014-15, (iv) 2015-16 and (v) 2016-17 because a company submitted an annual return or confirmation statement that failed to comply with the requirements of the Companies Act 2006 and associated legislation and regulation and what the outcome of those prosecutions was in terms of success and penalties imposed.