



30 Monck Street  
London  
SW1P 2AP

T: 020 7340 0551  
E: info@att.org.uk  
W: www.att.org.uk

# CORPORATE TRANSPARENCY AND REGISTER REFORM

## Consultation on options to enhance the role of Companies House and increase the transparency of UK corporate entities

### Response by Association of Taxation Technicians

#### 1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to respond to some of the proposals in the Department for Business, Energy and Industrial Strategy's (BEIS) consultation document 'Corporate Transparency and Register Reform - Consultation on options to enhance the role of Companies House and increase the transparency of UK corporate entities' which was published on 5 May 2019.
- 1.2 The ATT is commenting on these proposals in the context of:
  - (1) it being an anti-money laundering (AML) supervisor; and
  - (2) where there may be a tax perspective. Overall, we do not think that the proposals in this consultation have any direct tax implications, but we make a few broad points from a tax perspective.
- 1.3 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations.

#### 2 Our response to the consultation questions

- 2.1 We are not responding to every question posed by the consultation. Only those questions which we are responding to are shown below.
- 2.2 **The case for verifying identities**

**Q1. Do you agree with the general premise that Companies House should have the ability to check the identity of individuals on the register? Please explain your reasons.**

We agree that Companies House should have the ability to check the identity of individuals on the register. The ability for anyone to set up a company without more stringent checks than are currently required does present a money laundering risk. The National Risk Assessment acknowledged the abuse of corporate structures by criminals and states, 'The incorporation of the company may be done in a way that conforms

with the applicable legal requirements and in such a way as to minimise suspicion'. Identity verification would be an important step to reduce the risk of criminals abusing the system. It would also address the inconsistency in the current system where clients of a third party agent (eg a trust and company service provider) must have their ID verified whereas direct applicants to Companies House do not.

**2.3 Q2. Are you aware of any other pros or cons government will need to consider in introducing identity verification?**

The quality and reliability of the identity verification adopted would be key. Cost may also be a consideration as we understand that for occasional use the cost per individual can be relatively high.

Identity verification must be designed and managed effectively and securely, particularly so it does not create additional administrative burdens and practical difficulties for companies and directors/people with significant control. We are aware that when 2-step verification was introduced for agents setting up their new Agent Services Account with HMRC, the way it was designed (with a code being sent to one mobile telephone number) presented practical difficulties for many agents, particularly for large firms.

**2.4 How identity verification might work in practice**

**Q4. Do you agree that the preferred option should be to verify identities digitally, using a leading technological solution? Please give reasons.**

Digital verification has many advantages and in our view is the preferred option. However, it does depend on the sophistication of the tool and whether it has a safeguard against stolen identity. It can confirm and verify the identity but in the absence of meeting the person face to face (or some other unique personal identifier) it cannot be 100% reliable. While some identification tools focus on UK based individuals it would make sense to use one which checks on a global basis.

**2.5 Q5. Are there any other issues the government should take into account to ensure the verification process can be easily accessed by all potential users?**

Ease of access to digital ID would be essential. Many of our members experienced difficulties in obtaining Disclosure Barring Service certificates to confirm they had no criminal convictions as part of the ATT's AML Supervision requirements. Any system set up would need to be able to cope with the volume of requests without undue delay.

**2.6 Q6. Do you agree that the focus should be on direct incorporations and filings if we can be confident that third party agents are undertaking customer due diligence checks? Please give reasons.**

We agree the focus should be on direct incorporation and filing as those are likely to be unregulated and thus not subject to the same level of scrutiny as third party agents who (should) come within the regulated sector.

Experience suggests that businesses within the regulated sector are hesitant to rely on other regulated business's Customer Due Diligence as they consider that risk is better managed if they have obtained the Customer Due Diligence rather than just trusting that someone else has. It will be a careful balancing act to ensure that sufficient focus is also given by Companies House to third party agents (see 3.8 below) as failure to do so might inadvertently push the criminal element towards such agents who may not have access to all the same means of validating identity as Companies House does or may not apply enough focus, expertise or diligence in carrying out the checks.

2.7 **Q7. Do you agree that third party agents should provide evidence to Companies House that they have undertaken customer due diligence checks on individuals? Please give reasons.**

Given that, as noted above, the regulated sector's general reluctance to rely on another's Customer Due Diligence it is difficult to see how Companies House could be comfortable without seeking evidence. Companies House might also consider undertaking some spot checks on the underlying Customer Due Diligence. This would have the benefit of acting as a deterrent to those trying to bypass Companies House scrutiny and offer an opportunity to spot trends of agents who are not doing what they need to be doing either through genuine error, poor controls or something worse.

On a related point, under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) there are three categories of Customer Due Diligence – Simplified, standard Customer Due Diligence and enhanced Customer Due Diligence with specific requirements for each. MLR 2017 operates on a risk based approach. If a third party agent operated simplified Customer Due Diligence would that be acceptable to Companies House?

2.8 **Q8. Do you agree that more information on third party agents filing on behalf of companies should be collected? What should be collected?**

We agree that details of the AML supervisor and AML registration number should be provided. However, there have been instances of agents claiming to be AML supervised when they are not registered for supervision.

Does the government propose any cross checking with the AML supervisor to confirm?

2.9 **Q9. What information about third party agents should be available on the register?**

We suggest the business name, address and the names of the directors and Persons with Significant Control.

2.10 **Who identity verification would apply to and when**

**Q10. Do you agree that government should (i) mandate ID verification for directors and (ii) require that verification takes place before a person can validly be appointed as a director?**

To some extent there are already safeguards and checks in existence in the regulated sector which comprises the following fields of activity: credit and financial institutions; auditors, insolvency practitioners, external accountants and tax advisers; independent legal professionals; trust or company service providers; estate agents; high value dealers and casinos. Under Regulation 26 MLR 2017 a Supervisor may not supervise any business where the Business Owner, Office holder or Manager (collectively referred to as BOOMs by AML Supervisors and OPBAS) is guilty of a criminal offence listed in Schedule 3 of the Regulations. Supervisors check this in various ways with some like the ATT requiring sight of Disclosure Barring Service certificates for sole practitioners and an undertaking from firms that they have obtained certificates from all their BOOMs. As AML supervision is a prerequisite to trade for those in the regulated sector, if the business is to continue, the offending office holder or Person with Significant Control must stand down and/or reduce their shareholding.

However, this does not apply to those not in the regulated sector. This might make the unregulated sector more attractive for the criminal and create a perverse incentive for those operating at the margins of the definition of regulated activity to persuade themselves that they are outside it. It makes sense therefore to require all directors to be ID verified.

2.11 **Q11. How can verification of People with Significant Control be best achieved, and what would be the appropriate sanction for non-compliance?**

One option might be for Companies House to require People with Significant Control to provide name, address and passport number which it could then use carry out electronic verification.

If People with Significant Control failed to provide the information or Companies House could not electronically ID them the flagging of those not verified would seem an appropriate step as it would alert the user to non-compliance by the individuals concerned. If criminal offences cannot be enforced on overseas residents that dilutes the impact and negates the deterrent. This is particularly relevant where, as mentioned in this consultation document and the National Risk Assessment, non UK nationals have been linked to money laundering in the UK. Is this an area where the Financial Action Task Force (FATF) could suggest an effective deterrent?

2.12 **Q12. Do you agree that government should require presenters to undergo identity verification and not accept proposed incorporations or filing updates from non-verified persons? Please explain your reasons.**

Yes for the reasons set out in the response to Q7.

2.13 **Q13. Do you agree with the principle that identity checks should be extended to existing directors and People with Significant Control? Please give reasons.**

It makes sense to extend identity checks to all directors and People with Significant Control to ensure a consistency across the register so that users of the register can have confidence in all entries and not just the most recent ones.

2.14 **Requiring better information about shareholders**

**Q14. Should companies be required to collect and file more detailed information about shareholders?**

Yes.

2.15 **Q15. Do you agree with the proposed information requirements and what, if any, of this information should appear on the register?**

For personal safety reasons the personal address should not be disclosed.

2.16 **Q16. Do you agree that identity checks should be optional for shareholders, but that the register makes clear whether they have or have not verified their identity? Please give reasons.**

Yes.

2.17 **Linking identities on the register**

**Q17. Do you agree that verification of a person's identity is a better way to link appointments than unique identifiers?**

Yes.

2.18 **Q18. Do you agree that government should extend Companies House's ability to disclose residential address information to outside partners to support core services?**

Yes, provided the disclosure is strictly limited and controlled.

**2.19 Reform of the powers over information filed on the register**

**Q19. Do you agree that Companies House should have more discretion to query information before it is placed on the register, and to ask for evidence where appropriate?**

Yes.

**2.20 Information on directors**

**Q27. Is there a value in having information on the register about a director's occupation? If so, what is this information used for?**

As a professional body supervisor, it is useful to see what occupation is listed by our member and whether our member is acting in their role as a tax adviser or in another capacity. This helps with our supervisory risk assessment.

**2.21 Q31. Should people be able to apply to have their signatures suppressed on the register? If not, what use is this information to third parties?**

Yes.

**2.22 Compliance, intelligence and data sharing**

**Q32: Do you agree that there is value in Companies House comparing its data against other data sets held by public and private sector bodies? If so, which data sets are appropriate?**

As a Supervisor there could be value in Companies House collating the total number of incorporations dealt with by particular firms and flagging up high volumes to us. That would help with the risk based assessment we are obliged to carry out on our supervised members and enable us to monitor the member company registration activity.

We also answer this question in the context of Companies House comparing its data with data held by the tax authority, ie HMRC. We agree there is value in this and note that it will be essential that Companies House and HMRC carefully corroborate and match data which is shared between them to ensure it is correct.

We are firmly of the view that, wherever practicable, a 'tell once' approach to providing information to government is desirable and welcome as it can save time and reduce administrative burdens for business. In this regard, we note that there is already a service which enables small non-complex (very simple) companies to file their accounts with Companies House and their accounts, Corporation Tax computations and Corporation Tax Return Form CT600 with HMRC (and pay their Corporation Tax as well) all together in one place (it is called CATO – 'Company Accounts and Tax Online'). However, it is not available either to agents or companies that are not simple. If something like CATO can be extended that would be welcome.

**2.23 Question 33: Do you agree that AML regulated entities should be required to report anomalies to Companies House? How should this work and what information should it cover?**

We agree that the regulated entity should report anomalies where they are aware of them. However, an anomaly may arise after the client has been taken on (and Customer Due Diligence carried out). The regulated entity may have no further need to check the information at Companies House and so would not be aware. We would also challenge why it should only be the regulated sector which should be obliged to

report anomalies. As mentioned previously the more restrictive the regulated sector becomes the more attractive the unregulated sector becomes to the criminal.

**2.24 Q34 Do you agree that information collected by Companies House should be proactively made available to law enforcement agencies, when certain conditions are met?**

Yes, subject to safeguards regarding accuracy and confidentiality.

**2.25 Q37. Do you agree that the courts should be able to order a limited partnership to no longer carry on its business activities if it is in the public interest to do so?**

In principle, yes.

**2.26 Q39. Do you agree that companies should provide evidence that they are entitled to use an address as their registered office?**

This may be of limited value as it would be easy to provide a fraudulent confirmation of entitlement to use the registered address. We suggest Companies House could reserve the right to ask for evidence if it had concerns.

### **3 Contact details**

- 3.1 Should you wish to discuss any aspect of this response, please contact Heather Brehcist on 07833 259356 or [hbrehcist@ciot.org.uk](mailto:hbrehcist@ciot.org.uk).

### **4 The Association of Taxation Technicians**

- 4.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 9,000 members and Fellows together with over 6,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

## **The Association of Taxation Technicians**

**2 August 2019**