

**HMRC Consultation ‘Sharing and publishing data for public benefit’ –
Supplementary Note on VAT registration data release project,
November 2013**

1. The consultation document [Sharing and publishing data for public benefit](#) was published on 17 July 2013, seeking comment on proposals to publish and share VAT registration data. Annex D of the document provided details on research which HMRC would be undertaking better to understand the potential impacts of external use of VAT registration data, with the intention of informing policy making.
2. The research project is now under way. This supplementary note provides further information on project establishment, structure and safeguards, and on approach and outputs. .

Establishment of research project

3. The potential impact of sharing or publishing VAT registration data on credit ratings and other services provided by business information providers, and in particular, any consequential impact on the provision of trade credit, is an important consideration for the Government in assessing options for any disclosure and/or sharing of the relevant data. Before publishing the consultation document, the Business Information Providers Association (BIPA) representing the credit reference agencies (CRAs) that hold information on businesses, made public representations to the Government on their assessment of the benefits which might result from release of VAT registration data. HMRC officials concluded that modelling using actual data would provide a significantly more reliable assessment of the potential impact and would be helpful in informing the debate and advice to Ministers, The most practical way of achieving this is in a specific, tightly disciplined research project in collaboration with certain CRAs who are members of BIPA, as these organisations hold the necessary models (eg, for credit scoring) and the business data sets required for these

purposes, as well as being able to meet HMRC's stringent requirements for the secure and safe handling of relevant HMRC data.

4. To ensure that the research evidence generated by joint collaboration is sound and independently verified, HMRC specialists will validate the modelling undertaken by the CRAs to ensure that it is performed appropriately in line with industry best practice. This will involve identifying key underlying assumptions and reviewing and exploring the analysis to validate the process whereby the outputs are generated. HMRC will also lead on the assessment of the resulting economic impact (eg, the uptake in credit resulting from any improved credit scores).
5. Measures have also been put in place to ensure that participation in the research project will not give any unfair advantage to those taking part. Participating CRAs will not be able to use the HMRC data for any other purpose and are required to destroy the data after the research is finished. They will not be paid a fee for their participation. They will receive no preference in any future arrangements for use of the data should any such arrangements be developed, since these would be designed to permit all qualified parties to participate.

Legal basis for project, and related safeguards

6. Formal legal agreements have been put in place with three members of BIPA – Experian, Equifax and Dun & Bradstreet. – and with an independent consultant.
7. The legal basis for the project and for the sharing of the necessary VAT registration data is Section 17 of the Commissioners for Revenue & Customs Act 2005 (which is the basis for most of HMRC's research projects with third parties). The Act allows information held by one part of the Department to be passed to any other part of the Department provided there is a valid reason. The participating CRAs have been

contracted to act on behalf of HMRC and are therefore treated as part of the Department, allowing sharing of the relevant data but only for the specific purpose of the research and only for as long as is necessary for the purposes of the project. In handling this data, the CRAs and their staff working on this project are bound by the same strict statutory confidentiality rules as HMRC officials, including possible criminal prosecution if they disclose identifying information.

8. Specific requirements in the agreements to ensure the application of relevant legislation, standards and processes to safeguard data, include the following:
 - The data is subject to the relevant requirements of relevant legislation, including the Commissioners for Revenue and Customs Act, Data Protection Act, Official Secrets Act and Finance Acts. The CRAs have executed confidentiality agreements, acknowledging that all information obtained from HMRC must be treated as confidential in accordance with Section 18 of the Commissioners for Revenue and Customs Act. They have ensured that all staff involved in the project are made individually aware of their responsibilities in relation to HMRC data and the importance of maintaining confidentiality.
 - The CRAs are required to protect HMRC against loss or disclosure of the data and would be liable up to prescribed limits for damages for any harm arising from their misuse of the data.
 - With regard to data handling and security, the agreement sets out the process to ensure secure data transfer from HMRC to the CRAs. It includes requirements to use HMRC data only for the specified purposes; to store it securely (the data must be held and processed in the UK according to government standards for data storage and handling (HMG IA Standard Numbers 1&2) and the firms' security management systems policies must meet ISO/IEC 27001 and 27002

standards); and to destroy it after the termination of the agreement (in accordance with HMG IA Standard Number 5 and to the standard set in British Standard BSEN15713). The agreement also sets out the security procedures to be followed in case of any data loss, wrongful disclosure or breach in security.

- The agreement sets out the process for HMRC to validate the research methodology, and arrangements for managing commercially sensitive information.

Project approach and proposed outputs

9. In accordance with the agreements, HMRC have provided the participating CRAs with two sets of data; a representative sample of 50,000 records from the VAT register; and a second sample of 20,000 records comprising VAT traders within a specified geographical area. Both samples include the data items listed at Annex C of the consultation document, as well as historical data about these fields from 1996 onwards (e.g. dates of changes, previous trading names). No taxpayer financial data whatsoever is included in the VAT registration data being shared.
10. The CRAs are using this data to model the potential impact on credit assessment and scoring; and on the identification of fraud or other relevant trends or patterns. The data will not be used by the CRAs for any other purpose and there will be no impact from this research on the credit score of any individual or business. Nor will the research output produced by the CRAs contain any data permitting the identification of individual people or entities.
11. The modelling outputs produced by each CRA will be aggregated by an independent consultant to produce an assessment of overall impact. Aggregation is necessary to ensure the protection of proprietary commercial data. The independent consultant is also bound by an

agreement with HMRC, containing protections appropriate to the sensitivity of the data handled.

12. HMRC data experts will validate the methodologies and modelling of the data at each stage, verifying the validity of the outcomes.

13. The aggregated assessment will be used as a basis to better understand the market impact of the use of VAT registration data, for example, potential changes in trade credit availability and uptake, and to assess the associated economic effects. This will include both positive and negative impacts for any groups which may be affected. The CRAs will also seek to identify if VAT registration data could be supplemented or enriched by data that they hold, which could assist HMRC in its collection and management of taxes.

Use of project outputs

14. The research outcomes will be used, in conjunction with the responses to the consultation document, to help inform the Government's decisions on next steps. Given its relevance to the debate, a summary of the research outcomes will be published.