



MASTER OF THE FACULTIES

THE FACULTY OFFICE OF THE ARCHBISHOP OF CANTERBURY

A RESONSE TO HM TREASURY'S CONSULTATION ON ECONOMIC CRIME LEVY

1. Introduction

- 1.1** The Faculty Office of the Archbishop of Canterbury (Faculty Office) welcomes the opportunity to respond to HM Treasury's consultation on Economic Crime Levy, published on 21 July 2020.
- 1.2** The Master of the Faculties is the approved regulator and professional body supervisor for Notaries Public in England & Wales and her day to day regulatory functions are carried out through the Faculty Office.
- 1.3** There are less than 750 Notaries Public practising in England and Wales and the MoF is, therefore, one of the smaller supervisors with a commensurately small staff team at the Faculty Office.

2. Summary

- 2.1** The Faculty Office values the governments drive to deliver a robust response to economic crime and fully supports its plan to transform and strengthen the UK's position as a world leader in combatting financial crime. However, the proposal of a levy to fund this ambition is in our view untimely during a period of unprecedented national economic uncertainty.
- 2.2** The Faculty Office is concerned that calculation and collection of the proposed levy will entail complex requirements that will place significant and disproportionate burden on resources of the smaller supervisors, requiring either additional resources to be bought in, with the commensurate additional regulatory costs which must be borne by the regulated community and, ultimately, the consumer or diverting existing resources away from other aspects of the work of regulation.
- 2.3** The Faculty Office agrees that it is proportionate to include a base threshold where smaller businesses are exempt from paying the levy whatever metric is used. However, the process of calculating, administering and enforcing the proposed levy needs to be centralised to ensure consistency and efficiency.

3. The Faculty Office response to the consultation

Levy calculation

Question 5: Do you agree with our proposal that revenue from UK business should form the basis of the levy calculation? Please explain your reasoning.

- 3.1 We agree that using income as the basis for calculating the levy is in line with the levy principles and is a proportionate approach overall. However, it would be disproportionate to calculate the levy based on all UK business revenue and we suggest it is ringfenced to exclude non-regulated activity.

Question 7: Do you believe other levy bases would provide a better basis for the levy calculation? These could be the ones outlined in Table 4.A or those not considered in the consultation document.

- 3.2 We believe a levy based on the number of suspicious activity reports submitted is a viable risk-based option. However, if this has the potential to reduce reporting levels as outlined in the consultation paper then we feel it would undermine the government's determination in tackling financial crime.

Question 8: Should a fixed percentage or banded approach be taken to utilising revenue as a metric? Please explain your reasoning.

- 3.3 We believe a banded approach would add layers of complexity and place smaller businesses at a disadvantage. Using a fixed percentage approach is in keeping with the rationale used for developing a threshold level in support of smaller businesses.

Question 9: What are your views on the principle of exempting small businesses from paying the levy, and on the level of a potential threshold?

- 3.4 We recognise that risk does not necessarily correlate with revenue and in the interests of solidarity all regulated businesses should contribute. However, based on the benefits and observations identified within the consultation paper, we feel that an exemption for small businesses is overall cost effective and fairer in terms of affordability.

Question 10: What are your views on having businesses below the threshold subject to a small flat fee?

- 3.5 As stated, we understand there should be solidarity among regulated businesses in paying the levy, however we believe this option would not prove cost effective.

Question 11: Do you believe the small business threshold should be determined by reference to revenue alone or to all three of the Companies Act 2006 criteria? Please explain your reasoning.

- 3.6 Yes, we agree that the small business threshold should be determined by reference to revenue alone because it would avoid confusion and is in keeping with the principle of predictability and simplicity. However, we are not opposed to a risk-based metric provided there are no unintended consequences such as a change in business reporting behaviour.

Question 13: How do you think money laundering risk should be accounted for in the levy calculation?

- 3.7 We understand that identifying the money laundering risks at a granular enough level to apply to different firms, sub-sectors, or products and services is challenging. Any risk-based weighting is too problematic due to its evolving nature, although we feel the National Risk Assessment ranking could be used to establish a broad metric for a banded approach.

Collecting the Levy

Question 25: Do you think the agency should issue a notice to file or that businesses should be required to submit a return proactively? Please explain your reasoning.

- 3.8 To ensure consistency and compliance we believe the new agency should issue a notice to file to all relevant entities.

Question 26: Do you think all businesses should report their levy liability to the agency? If not, do you think small businesses should report a nil declaration or nothing at all?

- 3.9 Yes, all businesses should report their levy liability to the single agency and for transparency, it would be sensible for small businesses to submit a nil return. However, this needs to be balanced against costs. Ensuring compliance for non-submission of a nil return against small businesses on a flat fee or total exemption could be problematic.

Question 27: Do you agree with the proposed approach for calculating the levy rate, invoicing, and payment of the levy? If not, please explain why.

- 3.10 Yes, we agree that the levy should be calculated on revenue from regulated activity, with a threshold exemption for smaller businesses. For consistency, the collection and enforcement of the levy should be processed by a single government agency.

Non-compliance

Question 28: What are your views on the proposed compliance framework in a single agency model?

- 3.11 We agree that recovery of late payment and penalty charges using civil recovery is a reasonable approach, but the process needs to be consistent and proportionate.

Question 29: Do you agree that supervisors should be able to determine the frequency of reporting and payment, provided they transfer levy payments to the government a maximum of a year after the end of a business' accounting period?

- 3.12 No, we consider supervisor involvement in collecting the levy would lead to confusion and inconsistency. We believe the responsibility for administering the levy should be through a single agency model.