EXPLANATORY MEMORANDUM TO

THE ECONOMIC CRIME (ANTI-MONEY LAUNDERING) LEVY (AMENDMENT) REGULATIONS 2025

2025 No. 1146

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue & Customs (HMRC) and is laid before the House of Commons by Command of His Majesty.

2. Declaration

2.1 Lucy Rigby, Economic Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 James Konya, Deputy Director for Corporation Tax Structure, at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Spencer Munn at HMRC can be contacted by email at the following addresses with any queries regarding the instrument: ecl.queries@hmrc.gov.uk. Alternatively, the department can be contacted by telephone: 03000 556 592.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The legislation allows HMRC to repay any amounts of overpaid Economic Crime Levy (ECL) in respect of debts that were previously transferred to HMRC, for collection, from either the Financial Conduct Authority (FCA) or the Gambling Commission (GC). HMRC currently has the power to repay amounts of overpaid ECL for which it was the collection authority. In certain, limited, cases HMRC may be asked by one of the other two collection authorities (these being the FCA or GC) to collect ECL debt on their behalf, referred to as transferred debt. This Statutory Instrument corrects a minor anomaly that prevented HMRC from refunding overpayments of such transferred debts, thus giving effect to the original legislative intent for HMRC to take responsibility for transferred debts.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom (UK).

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the UK.

5. Policy Context

What is being done and why?

5.1 The Economic Crime (Anti-Money Laundering) Levy was introduced by the Finance Act 2022 and is collected by three authorities: HMRC, the FCA and the GC. If a

person fails to pay them, the FCA or GC may transfer the debt to HMRC for enforcement. Under the existing regulations, where HMRC assumes responsibility for collecting unpaid levy amounts originally due to the FCA or the GC, there is no provision allowing HMRC to repay any overpaid amounts.

5.2 This amendment addresses that gap by confirming that HMRC can make repayments in such cases. The change ensures consistency, reduces administrative complexity, and provides a simpler process for businesses to reclaim overpaid amounts.

What was the previous policy, how is this different?

5.3 Without this change, any repayment of overpaid transferred debts would have needed to be made by the original collection authority. This would have introduced additional administrative complexity and created potential confusion for taxpayers. The purpose of the change is therefore not to alter policy, but to address an anomaly in how the existing legislation operates.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 53 Finance Act 2022 specifies that the ECL will be collected by three collection authorities. Regulation 18 of the Economic Crime (Anti-Money Laundering) Regulations 2022 allows the appropriate collection authority to repay amounts of ECL overpaid, unless certain circumstances apply. Regulation 25 allows the transfer of ECL debts from one of the other appropriate collection authorities to HMRC.

6.2 This instrument amends the Economic Crime (Anti-Money Laundering) Levy Regulations 2022 by adding a provision to Regulation 18 clarifying responsibility for repaying overpaid levy amounts. It provides that where HMRC has assumed responsibility for collecting unpaid levy amounts from the FCA or the GC under Regulation 25 of the 2022 Regulations, HMRC will also be the appropriate collection authority for the purpose of making any repayments of overpaid levy.

Why was this approach taken to change the law?

6.3 This is the only possible approach to make the necessary changes. The existing SI is being amended as it contains all the administrative rules for the levy.

7. Consultation

Summary of consultation outcome and methodology

7.1 No consultation was undertaken because the amendment is technical in nature and does not change the underlying policy or impose new obligations. It simply allows HMRC to repay overpaid levy amounts where HMRC assumes collection functions. As such, it has no material impact on businesses or other stakeholders.

8. Applicable Guidance

8.1 Existing guidance published by HMRC concerning the repayment of overpaid ECL amounts will apply. This can be found on the gov.uk website[1]. There will be no change in the way repayments are claimed.

[1] Guidance on Repayment of Overpaid ECL: https://www.gov.uk/guidance/pay-your-economic-crime-levy#if-youve-paid-too-much

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note has not been prepared for this Instrument as it contains no substantive changes to tax policy.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because the amendment is minor and simply eases the administrative process to claiming repayments of overpaid levy amounts.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because this amendment is minor technical change and avoids a more complex repayment process.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation will match the government's commitment to a wide-ranging review of the ECL by the end of 2027. This commitment was restated in the Economic Crime Levy Report for 2023/24[2] published in May 2025.

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

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

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

[2] Economic Crime Levy Report for 2023/24: https://www.gov.uk/government/publications/economic-crime-levy-report-2023-24