ICAEW
REPRESENTATION 39/25

BETTER USE OF NEW AND IMPROVED THIRD-PARTY DATA TO MAKE IT EASIER TO PAY TAX RIGHT FIRST TIME

Issued 21 May 2025

ICAEW welcomes the opportunity to respond to HMRC's consultation on the better use of new and improved third-party data to make it easier to pay tax right first time, published on 26 March 2025, a copy of which is available from this link.

ICAEW supports the better use of third-party data provided to HMRC and agrees that improvements in this area could lead to increased accuracy in reporting as well as significant time efficiencies for both HMRC and the taxpayer. However, the data must be provided securely, accurately and the scope for matching errors must be minimised.

This response of 21 May 2025 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the ICAEW Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

ICAEW
Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

- We support the use of third-party data already provided to HMRC for prepopulating self assessment tax returns, updating PAYE coding notices and ensuring P800 and PA302 simple assessment calculations are accurate.
- The data provided must be accurate or easily correctable without needing to revert to the third party that provided the data to HMRC.
- When imposing additional reporting burdens on third parties, HMRC needs to also consider how it will use that data to improve services for taxpayers and agents and secure the investment to use the data, not just to collect it.
- We support the use of card sales data to ensure better forecasting and compliance for small businesses and reporting on a monthly basis.
- We have raised some queries regarding the frequency of the reporting in relation to what the data is to be used for. For bank and building society interest (BBSI) we believe moving to quarterly reporting will be sufficient.
- We are concerned specifically about the use of NINOs as an identifier for individual customers and the overall potential for incomplete reporting, incorrect matching or incomplete pre-populated data.

ANSWERS TO CONSULTATION QUESTIONS

Question 1: Do you support maintaining the scope of Schedule 23 of Finance Act 2011 paragraph 12 'interest' as HMRC moves towards standing reporting obligations for financial account information? Are you aware of any unforeseen consequences or missed opportunities?

1. Yes, although we would also support the extension to other investment income as part of a future phase, following successful implementation of the current proposals and subject to any restrictions on data sharing between jurisdictions.

Question 2: Do you support maintaining the scope of Schedule 23 of Finance Act 2011 paragraph 13A for card sales data as HMRC moves towards standing reporting obligations? Are you aware of any unforeseen consequences or missed opportunities?

2. Yes, we agree this scope is sufficient for this phase of implementation.

Question 3: Should specific types of financial accounts or providers receive special consideration in the reporting of financial account information and card sales data, and why? What is the volume or incidence of these exceptions?

3. No, we do not envisage that a de minimis threshold will be required or appropriate and would to a certain extent defeat the object of mandating the more thorough reporting. As has been raised previously, it may be that a low interest account is one of several accounts or sales are spread across several different card sales merchants which would collectively breach the threshold imposed and therefore devalue the reporting if minimum thresholds were to apply. It would also be confusing for taxpayers if the reporting from third parties is incomplete as they may assume it is correct and complete or not understand why some data is missing.

Question 4: Do you have any comparable examples of an effective process which ensures that a) those in scope are aware of their reporting obligations, and b) the relevant department is aware of those who should be reporting?

4. Communication will be key to ensure data providers are aware of their obligations. For those institutions that typically provide reporting already, a one-off mandatory notification may be adequate provided there is sufficient publication about the requirements. The scope of reporting will need to be extremely clear, including whether nil reporting is required for certain periods.

Question 5: The government's emerging position is that the frequency of reporting financial account information should be monthly, and that data should be required as close as practicably possible to the end of each month.

1. ***What would be the cost of introducing monthly reporting?***
2. ***Would a frequency more regular than monthly be preferable i.e. because it integrates better with business processes? If yes, what would be preferable between a week, a few days, 24 hours, or 'on or before payment', and why? What are the relative costs and benefits?***
3. ***How soon after the end of each reporting period can data be provided?***
4. ***Are there specific cases that need to be treated differently, if so, why, and what is the volume or incidence of these exceptions?***

5. In general, ICAEW is of the opinion that, while monthly reporting is closer to real time reporting, it may be too onerous on the institutions and quarterly reporting would be sufficient in order to align with Making Tax Digital (MTD) for income tax and other requirements. Moving from annual reporting obligations to monthly (or even more frequently) would appear a fairly significant change and one that many smaller banks and building societies might see as costly and disproportionate to their size. This would appear to counter moves by government and regulators (PRA/FCA) to reduce reporting and compliance burdens in order to lower costs and spur growth and investment.
6. We also understand that there is currently no intention to introduce monthly PAYE coding based on the provision of this data, therefore it is also unclear why monthly reporting would be necessary if the data is primarily to be used for the annual tax return/simple assessment or P800 reconciliation.
7. However, institutions that already provide reports monthly may find it simpler to provide data on a monthly basis rather than run an additional quarterly report. The key will be that it is clear or can be flagged as to what period the data provided relates, especially if there is an intention to extrapolate this over an annual period for the purposes of the coding out and/or forecasting. We would also recommend that HMRC clarifies whether nil returns would be required on a more frequent basis for payments that are usually made annually.
8. ICAEW agrees that the current reporting time lag is excessive and renders some data of less use if supplied after certain tax deadlines (eg, self-assessment deadline). We also support the removal of the requirement on HMRC to produce a notice by making the data provision mandatory.
9. It is clear that a reduction in the reporting time allowed will be beneficial to HMRC and taxpayers, both in terms of prepopulating self-assessment tax returns and more importantly improving the accuracy of the P800 reconciliations and forecasting, as well as helping HMRC to ensure compliance. However, to fulfil these requirements neither 'on or before payment' nor monthly reporting will always be necessary, with both proposals potentially requiring considerable procedural changes for the institutions impacted. Aligning with MTD update deadlines (a month (and 2 days) after the end of each quarter), will mean earlier reporting is still achieved but for a common and accepted purpose. If there is a requirement for more frequent reporting, it will be important to understand the rationale behind this and whether this will also necessitate nil reporting requirements. As the motivation is to have a better real time view of individuals' finances, for example interest income on savings, there is also an argument that this demand is in part cyclical and in response to a higher interest rate/savings rate environment. It needs to be clear that the collation of this data will still prove useful should we return to a more normalised environment.

Question 6: The government's emerging position is that the frequency of reporting card sales (merchant acquirer) data should remain as monthly and be extended to all in-scope data-holders, and that data should be required as close as practicably possible to the end of each month:

1. ***Would a frequency more regular than monthly be preferable, for example because it integrates better with business processes? If yes, what would be preferable between a week, a few days, 24 hours, or 'on or before payment' (from the merchant acquirer to the vendor), and why? What are the relative costs and benefits?***
2. ***How soon after the end of each reporting period can data be provided?***
3. ***Are there specific cases that need to be treated differently, if so, why, and what is the volume or incidence of these exceptions?***

10. ICAEW agrees that the current time lag of up to 90 days is unhelpful and means the data cannot be used for many of the purposes for which it is required. We would support a move towards monthly reporting in this case with no de minimis applied.

Question 7: Regarding the schema for card sales (merchant acquirer) data, do you agree with our conclusion that exploring a different schema at this point is not preferable? If not, are there other schema options (such as internationally recognised schema) that the government should consider?

11. ICAEW supports this conclusion provided the unified XML schema is sufficiently secure and fit for purpose. Excel spreadsheets and flat text files are difficult to secure adequately. As well as the security risk, there is also risk of corruption or errors due to partial manual handling of data using these methods.

Question 8: Our preferred option is to tailor the CRS schema. We would be grateful for your views on:

1. ***Which key specifications need to be included? How would you tailor the CRS schema to meet domestic reporting requirements?***
2. ***What the benefits and drawbacks are of combining BBSI and other interest under one schema?***
3. ***What are the associated costs with adopting a tailored version of the CRS schema? Would an alternative approach be more cost efficient?***

12. Tailoring the existing schema is likely to be more cost and time efficient than developing and testing a whole new schema and we therefore support this initiative with the caveat that unnecessary or superfluous data is not collected and held unnecessarily. It would be beneficial to tailor the scheme for future phases at the outset but maintain the ability to restrict/hide some data fields for certain types of income where specific information is not required.

Question 9: What are your views on how the data, in line with the schema options, should be shared/transmitted from third-party suppliers to HMRC?

13. See answer to question 10

Question 10: To help alleviate burdens on data suppliers and to support greater efficiency, what are your views on:

1. ***HMRC providing a manual resource like a user interface (compliant with the XML standard schema like the CRS model) for providers supplying small volumes of data?***
2. ***What easements should be provided if any?***
3. ***Would you use an Application Programming Interface (API) if they were made available to share information and data with HMRC in this context? Are there other forms of transmitting data that are effective and secure for the transfer of bulk data between systems?***

14. ICAEW supports the use of API and the majority of banks and building societies would be adequately equipped and more likely to engage with this method, though consideration

should be given to the time it may take to update internal security processes to allow for this as well as for HMRC to approve any software where necessary. Manual resourcing can be problematic due to the security related issues and risks of user error due to manual data handling using these methods. It is also less likely that financial institutions would be willing to use these methods for similar reasons.

Question 11: Which identifiers are appropriate for these types of categories (Partnerships, Trusts and Charities) and do you have views on how they may be collected and supplied by third parties?

15. Charities should be able to be identified using the reference allocated to them by the Charity Commission. Trusts must be registered on the Trust Registration Service and should use the Unique Reference Number (URN) allocated. Partnerships which are LLPs should have a Companies House number, as for UK companies. Partnerships that are not registered at Companies House and overseas businesses trading in the UK may not have a UK company number (CRN) or VAT registration number (VRN), depending on the nature of the business, so a different identifier will need to be collected and reported in such cases.

Question 12: What are your views on the proposed requirement to place obligations on suppliers to request NINOs from individual customers, CRNs from incorporated businesses and VRNs from businesses and traders making sales via card machines (merchant acquirer data)?

16. We have concerns that this does not address a relatively large population who are not eligible for NINOs. There must be an alternative offered so institutions do not end up excluding or debanking these individuals. There could also be complications where the beneficial owner is unclear, or joint/multiple account holders do not hold equal shares and data can be therefore used incorrectly for pre-population. There are also concerns that the requirement to provide a NINO may prompt those who are ineligible to attempt to obtain one (not necessarily fraudulently but believing it to be a requirement), as was the case when a similar requirement was introduced in India. This may also drive up unnecessary contact with HMRC.
17. The third parties will need to comment on the feasibility and costs of this, particularly for their existing customer base, though we would raise potential issues about non provision and timeliness and query whether customers should be mandated to respond. We would expect financial institutions to hold data securely and therefore do not have concerns about security in relation to this phase, however this could be of more significant concern in the later phases.
18. We do not have any particular concerns regarding CRNs and VRNs which are generally available in the public domain or via the existing HMRC digital service.

Question 13: What are the associated costs on suppliers for collecting the relevant tax references from your customers?

19. It is likely that updating the onboarding processes to collate this data will involve an initial cost outlay, as will having to chase it from less willing customers until it becomes the norm. However longer term we would expect these costs to be negligible. For existing customers there are likely to be costs involved in resourcing the collation of the additional data and updating records where there is no existing data field available. We welcome the clarification over ‘reasonable efforts’ (third parties to reach out to customers once a year for the first two years, otherwise only as part of know your customer (KYC) checks) required from these institutions in relation to the collection of this data to ensure they are aware of the investment expected and requirement to document their due diligence.

Question 14: What are your views on introducing due diligence requirements that align, where appropriate, to those for RRDP and the CARF?

20. The obligation to ensure the data provided such as NINOs seems quite onerous. It would only really be possible for the institutions to check that the NINO provided is in the correct format and not that is for the correct taxpayer. Most systems allow any combination provided the ID is displaying the correct alpha-numeric format. We understand that HMRC is exploring the idea of a solution to enable suppliers to verify NINOs and would welcome further information in this regard in due course.
21. It is easier to check and confirm CRN references which are available in the public domain (Companies House) and VRN using the government's existing digital service and we therefore envisage less issues with these references as the data is not sensitive.

Question 15: Do you agree that, in principle, penalties relating to bulk third-party data obligations should be consistent with those set out above?

22. It is sensible to use the existing penalty regime rather than introduce a further regime that service providers would need to familiarise themselves with. We welcome a grace period while data providers get accustomed with the new requirements and obligations.
23. We support the inclusion of a penalty for 'failure to notify individual reportable persons that the financial services provider has submitted information about them to HMRC', mirroring the rule in the digital platform data sharing schema. This should help the taxpayer (a) query the data with the bank if it looks wrong; (b) remind them to declare it to HMRC on their return, if they file one, thus potentially reducing errors.
24. We are also of the view that poor data quality could also remain a significant issue if not actively discouraged under failure to take 'reasonable care', and as per the consultation document, poor pre population is worse than none at all. This raises the issues of taxpayers either automatically assuming that data provided to HMRC will be correct or needing to spend time correcting the issue which may involve liaison with the third-party provider as well as with HMRC.
25. HMRC could also charge penalties under para 1A, Sch 24, FA 2007 if the data is of a poor quality such that the criteria for this penalty are met. However, it would be necessary to ensure that a penalty Is not charged both under para 1A and a penalty for a mistake in a bulk data submission re: the same taxpayer.

Question 16: If not, is there an alternative penalty structure that would be more appropriate to ensure accurate data, including on tax identification numbers, are collected for customers?

26. We do not suggest devising a separate penalty scheme for this purpose. As highlighted previously, the ability to collect some tax ID numbers will be reliant on customer compliance and imposing too harsh penalties may mean result in customers being excluded from services if institutions encounter difficulties in obtaining these.

Question 17: What are your views on how the gap between domestic reporting and international obligations under Common Reporting Standard could be closed? Are there any specific types of financial account, or financial account information, that you believe should be included or excluded in future phases of reform? If so, why?

27. The discrepancy between the Common Reporting Standard (CRS) reporting date of 31 December and UK tax year end of 5 April could be eliminated if the UK tax year were changed to 31 December to align with the tax year end of most other countries. Ireland changed its tax year end to 31 December in 2002 and with meticulous planning this change went relatively smoothly.
28. ICAEW would also support an optional election for taxpayers to be taxed on a calendar year basis in respect of all of their overseas investment income. We would support a further review of the UK's longstanding tax year end of 5 April and the potential advantages and disadvantages of switching to 31 December. See ICAEW REPRESENTATION 6/25 on Simplifying the Taxation of Offshore Interest for further comments.

29. There are other gaps due to exemptions under CRS which would need to be reviewed (eg, not reporting on accounts relating to publicly listed, active, non-financial entities and no reporting of foreign tax withheld at source).

Question 18: What data do you (individuals and their agents) currently use to calculate tax liability on dividends and other investment income? Would it be easier if this data were pre-populated in self-assessment or shown in a PAYE tax coding notice?

30. We agree that the reduction to the dividend allowance and fiscal drag will inevitably bring more dividends into the scope of UK tax. Mandating companies to report dividends would help allow HMRC to update coding notices more regularly and prepopulate returns and check compliance. However, this will depend on the scope of the mandatory reporting. As for BBSI, frequency of reporting needs some consideration and to be weighed up alongside the costs to the reporting entities and the purpose for which the data is required.
31. ICAEW would raise the same concerns with regard to the pre-population and inclusion in a PAYE tax coding notice as for BBSI (ie, it needs to be accurate and easily correctable). One of our members' primary concerns about pre-population is the lack of a transparent, user-friendly mechanism by which to dispute or correct it as well as lack of visibility over the full audit trail (ie, which third party has provided the data and when). It is imperative that is does not come down to the taxpayer being required to disprove the data HMRC holds if there are inconsistencies.
32. Currently the way HMRC communicates information such as tax codes or P800 adjustments remains confusing for many people. Additionally, there are more individuals not reviewing tax codes as they do not receive them via the post nor understand them. P800 calculations are often issued several years late. Efforts to improve automation and data flows must be matched by improvements in the clarity and accessibility of tax communications.
33. There is also the risk that extending these requirements to dividends and other investment income may prompt more contact with HMRC, especially initially, and if there are queries about the data provided. Wait times are currently long, digital services can be limited, and it is often not clear where to go for help when pre-populated data appears incorrect. Increased reliance on automated data processing must not reduce access to real support for taxpayers.

Question 19: How straightforward would it be for you (third-party data suppliers) to provide dividend and other investment income data to HMRC that mirrors what is provided in customer annual tax packs and aligns with the tax year end 5 April? What are the main challenges with this approach?

34. Third-party data suppliers to comment.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see https://goo.gl/x6UjJ5).