



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

Issued 15 September 2025

ICAEW welcomes the opportunity to comment on the draft legislation Better use of new and improved third-party data to make it easier to pay tax right first time published by HMRC on 21 July 2025, a copy of which is available from this [link](#).

ICAEW welcome the draft legislation on better use of third-party data and the further consideration that will now be given to the collation and verification of unique identifiers and how incorrect data can be effectively challenged.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 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

This response of 15 September 2025 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, ICAEW's 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 Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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 2025

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: Tax – taxfac@icaew.com

BACKGROUND

At Spring Statement 2025, the government published its consultation on [Better use of new and improved third-party data to make it easier to pay tax right first time](#), drawing on the 2021 Office for Tax Simplification's report on [Making better use of third party data: a vision for the future](#) and responses to the 2023 [Tax Administration and Framework Review: Information and Data](#) call for evidence.

The goal is to reform HMRC's bulk-data gathering powers using a phased approach, starting with bank and building society interest (BBSI) and interest from other sources as well as card sales data. The goal is to gather better quality data on a more timely basis under a standing reporting obligation in order to improve services to taxpayers, reduce non-compliance and modernise and reform the tax system.

ICAEW's response to this consultation, which was largely in support of these measures – provided the data is used to improved services and not just collated – can be found [here](#).

On 21 July, the government published a summary of responses, a policy paper and draft legislation.

In our May 2025 response, ICAEW also raised the following recommendations and concerns:

- Quarterly rather than monthly reporting of bank and building society interest and other interest sources.
- Concerns over use mandated use of National Insurance numbers (NINOs) as identifiers and the impact on those who cannot obtain or provide this information.
- Concerns over inaccurate data and the burden falling on the taxpayer to correct this and liaise with the third-party data provider.

GENERAL COMMENTS

1. ICAEW supports HMRC's proposed measures for better use of third-party data to aid tax compliance. We are pleased to note that as a result of the consultation, the frequency of reporting for bank and building society interest (BBSI) will be regulated at quarterly rather than the monthly reporting previously proposed, to align with other initiatives such as Making Tax Digital for income tax.
2. We also support the consideration now being given to possible exemptions from the requirements to collect tax references (eg, National Insurance Numbers (NINOs)) in certain scenarios, to counteract some potential issues including possible exclusion of customers ineligible for a NINO.
3. We endorse the consideration of exemptions for certain civil organisations and certain types of interest-bearing products. The nature of credit unions, for example, may mean they will struggle to meet the reporting requirements and also not have funding immediately available for new automated processes.
4. We agree that reporting for all in scope data providers must be mandated for it to be useful for pre-population purposes and therefore no de minimis shall apply. A manual notice could still be issued under Schedule 23, FA 2011 on an ad hoc basis if deemed necessary for any out-of-scope organisations.

SPECIFIC COMMENTS

Schedule 1, Part 1: Provision of data etc.

Requirement to provide data

5. The draft legislation is clear that regulation will clearly identify the data holders, the data, and the frequency and format of submission. We would like to reiterate that for tax purposes it is imperative that the prescribed format in (c) makes it clear what period the data provided relates to – especially if there will be cases where the data is provided for or partially related

to the previous tax year. We would also suggest it is clarified as to whether, for example, nil reporting will be required on a quarterly basis for accounts that pay interest annually.

Data within possession or power

6. We previously raised concerns about the use of NINOs as an identifier for individual taxpayers given populations of taxpayers who do not have or do not qualify for such a number. The policy note suggests this will mainly relate to foreign nationals but does not quantify this population, which could be significant. A NINO is also considered sensitive data by many data handlers due to the link to contributory benefits which gives rise to certain security requirements and potential additional costs when processing, verifying and holding this information. The legislation does reference the possible use of other unique government issued identifiers (e.g., unique taxpayer reference), but this would need to be consistent with information HMRC has already received or has access to. Ideally, an identifier should be provided that cannot be used to claim a tax refund. [ICAEW REP 31/21](#) published in 2021 previously expanded on the need for a consistent unique taxpayer identifier to help prevent mismatching of data and taxpayers. We are pleased that consideration will be given to 'reasonable effort' of collecting this data for existing customers and what to do if new customers do not have it or existing customers refuse to provide it. There have been press reports on the introduction of a BritCard ID application to tackle illegal immigration. It is worth exploring whether such a solution could also be used for other purposes such as the identifier for third party data providers.

Due diligence and record-keeping

7. We note and endorse the fact that the government is considering how data providers can verify NINOs other than the alphanumeric format itself. We have no issue with data providers being obliged to confirm VRN or CRN references which are available in the public domain.

Provision of data to other persons

8. We are pleased that the draft legislation dictates that the data holder must provide the taxpayer with the same information as HMRC (at the same time), replicating the rule in the RRD digital platform data sharing schema as recommended in [ICAEW REP 39/25](#). However, we remain concerned at how this information can be challenged or corrected by the taxpayer should this be necessary. We note and support the government's commitment to work with data suppliers to agree clear processes for challenging potentially incorrect data between the data supplier, HMRC and the taxpayer. We would like to reiterate that we are keen that the burden is not transferred to the taxpayer to 'disprove' any data and liaison with third party data provider does not become the taxpayer's sole responsibility.

Notification to HMRC

9. We support the introduction of a standing reporting obligation and removal of the manual HMRC notice to provide the data and subsequent time lapse which rendered some of the data less useful. In view of the standing obligation and specification of data holders under regulation, we question whether notification by the data holder and the associated penalties of failing to notify HMRC are really required. Ideally these should be removed. It is recognised that imposing a recurring obligation moves towards modernising and simplifying the current approach of issuing notices: it therefore seems incongruous that a notification by the data holder should still be required. In addition, the policy paper and summary of responses document make it clear that HMRC recognises that widespread communication will be required in advance of the changes to the legislation becoming effective. Eventually the current self-assessment requirement to notify should also be removed. It is merely a hangover from the old paper system and should be unnecessary in a digital world.

Compliance

10. ICAEW has no specific comments on this section.

Schedule 1, Part 2: Penalties and Appeals

Penalties for failure to notify

11. We think 'penalties for failure to notify' unnecessary in accordance with our comments in paragraph 9 above and recommend it is removed.

Duplication of liability to penalties

12. We endorse the limit placed on the penalties that can be charged in respect of the same act or omission.
13. We strongly support an initial grace period to be agreed between HMRC and data suppliers as outlined in the summary of responses document – especially as this measure will bring more and smaller organisations into scope of data sharing.

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 [TAXGUIDE](#)).