



DRAFT LEGISLATION: BETTER USE OF NEW AND IMPROVED THIRD-PARTY DATA

Issued 20 August 2026

ICAEW welcomes the opportunity to comment on the Draft Legislation: Better use of new and improved third-party data, published by HMRC on 20 July 2026, a copy of which is available from this [link](#).

ICAEW responded to the earlier consultation as [ICAEW Representation 39/25](#). As noted in our 2025 representation, in principle ICAEW supports the better use of new and improved third-party data. However, we reiterate our concerns about the use of a UK national insurance number as an identifier and that some of the time frames and notification requirements are too short.

We also repeat the message from the 2025 response that data must be provided securely, accurately and the scope for matching errors must be minimised. To support taxpayers there must be visibility over the full audit trail including, in particular, which third party has provided the data and when it was provided.

When imposing additional reporting burdens on third parties such as those proposed in this draft legislation, HMRC also needs to also consider how it will use that data to improve services for taxpayers (and any agent acting) rather than merely just collecting it. It will be a missed opportunity if the focus is solely on collecting the data.

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This response of 20 August 2026 has been prepared by ICAEW's Tax Faculty.

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THE DATA-GATHERING (ONGOING DATA) REGULATIONS 2026

Part 2: Relevant person's obligation to provide ongoing data

1. We consider a reporting period of 14 days after the end of the quarter or tax year quite a short time frame for the length of the reporting period. This is a much more onerous requirement than the existing annual reporting that financial institutions providing interest income must adhere to where the deadline is generally 30 June following the end of the tax year. This short time frame may impact the quality of the data provided if the process is not automated and a review is required. There will be considerable additional costs to these businesses which should be recognised. Short time frames add to these burdens. The 14-day time frame makes more sense for card sales data which must be provided monthly, although the comments on the cost burden still apply.

Part 4: Special identifying information

2. We welcome the exclusions now listed including compensation, which may be one-off manual payments, and where the beneficiary or recipient of the amount is an individual who is not entitled to apply for a national insurance number (NINO). While we are pleased that it is acknowledged that taxpayers who are ineligible for NINOs will not be able to provide this identifying information and therefore the use of alternative information is required, we would like to reiterate our concerns about using the NINO as a tax identifier.
3. For new customers we appreciate that banks and building societies will need to request the NINO as part of their onboarding process, but it may be more difficult to acquire this from existing customers, especially those who have banked with the same institution for many years. It may also prompt those who are ineligible to try to obtain a NINO either in good faith (ie, if they believe they should actually be able to hold one) or fraudulently, which leads to additional problems or unnecessary requests.
4. It must be clear that there are some circumstances where it will not be possible to provide a NINO and banks need to be made aware of this so they do not automatically close customers' accounts or chose to reject customers who do not have NINOs. We note that the NINO is an optional field in the draft interest income data schema and the schema allows for no NINO for the following reasons (01 outreach ongoing; 02 ineligible; 03 no obligation to collect (eg, interest bearing current account / compensatory / trusts); 04 no response from customer).

Part 5: Notifying HMRC of forthcoming obligation to provide ongoing data

5. We are pleased to see that the force of law guidance for the notification process confirms that agents will be able to make the notification on behalf of a client and that a repeat notification will be acceptable in such circumstances. However, it is unclear how this fits in with the new mandatory registration requirements for agents and how interaction with HMRC by agents using this service will be captured.
6. We reiterate our previous comments about whether notification and associated penalties are necessary. In any case, we would support a grace period when these rules first come in and a widespread communication exercise from HMRC to ensure all relevant persons are aware of their obligations, especially smaller organisations.

DUE DILIGENCE DIRECTION

7. For those who are ineligible for a NINO, we understand that the customer must provide a declaration that they are ineligible, though the draft direction also implies that the bank or building society must be satisfied that this is the case. The time frame of 45 days allowed to obtain and provide a NINO also seems quite short, as those who do not have NINOs are likely to have more unusual circumstances (eg, non-resident). As we have stated in previous representations, it should be clear that the NINO is limited as an identifier and so will not be available in all cases and that financial institutions need to have procedures in place to continue to accept those customers who cannot provide a NINO.
8. The due diligence requirements to verify the data seem reasonable. They do not stipulate a particular timescale but will still require a change of process and investment into collecting, storing and verifying identifying data from the banks and building societies.

DRAFT DATA SCHEMA AND DRAFT NOTIFICATION

9. The data schema look to clearly capture the data required from a taxpayer's perspective. We are aware from other projects that software providers would like to see the schema finalised at least 12-18 months before the legislation comes into force in order to build and integrate reporting processes within the software.
10. The draft notification template appears to capture the basic information required and an online portal system is likely to be straightforward for most users but should also be finalised as early as possible in case information needs to be collated across different businesses and to identify any additional scenario types that might need to be reported.

OTHER COMMENTS

11. We highlighted in our response to the 2025 consultation that our members' primary concern about pre-population is the lack of a transparent, user-friendly mechanism by which to dispute or correct it as well as a lack of visibility over the full audit trail including, in particular, which third party has provided the data and when it was provided. It is essential that further burdens are not placed on taxpayers and, if there are inconsistencies and errors in the data, it does not come down to the taxpayer being required to disprove the data HMRC holds.
12. With that principle in mind, we would like to understand the process of how taxpayers can challenge or correct third party data that has been used for pre population if they believe it to be inaccurate and what, if any consequences there may be for taxpayers who assume the data is correct, especially where the paid or credited amount is understated. For example, will taxpayers be directed back to the bank or building society if they disagree with the data and what safeguards will be in place to protect from underlying processing errors on HMRC's side?

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. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)