



MODERNISING THE CORRECTION OF ERRORS – DRAFT LEGISLATION

Issued 1 September 2026

ICAEW welcomes the opportunity to comment on draft legislation relating to modernisation of the correction of tax errors, published by HMRC on 13 July 2026, a copy of which is available from this [link](#).

- We support HMRC's efforts to reduce the incidence of error in tax returns and encourage the reporting of errors when they are discovered.
- We believe that the draft legislation broadly works well but there are some uncertainties around the way it would work in specific circumstances and how it interacts with existing and other proposed regimes. The interaction between formal enquiries and correction notices will need particular thought. HMRC may wish to consider whether further clarity is required in the legislation itself or through detailed guidance.
- With regard to the proposed taxpayer requirement to correct, we recommend that a de minimis threshold is introduced so that the cost of administering the requirement does not exceed the amount of tax collected through it in each case.
- The legislation does not currently include commencement or transitional provisions. Setting these out clearly in primary legislation is essential so that taxpayers and agents are aware of their responsibilities.
- We also recommend that record keeping requirements are updated to ensure that taxpayers have sufficient information to know how to correct errors when they become aware of them. We expand on this further below.

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This response of 1 September 2026 has been prepared by ICAEW's Tax Faculty.

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GENERAL POINTS

1. We support HMRC's efforts to reduce the incidence of error in tax returns and encourage the reporting of errors when they are discovered.
2. We believe that the draft legislation broadly works well but there are some uncertainties around the way it would work in specific circumstances and how it interacts with existing and other proposed regimes. The interaction between formal enquiries and correction notices will need particular thought. HMRC may wish to consider whether further clarity is required in the legislation itself or through detailed guidance.
3. With regard to the proposed taxpayer requirement to correct, we recommend that a de minimis threshold is introduced so that the cost of administering the requirement does not exceed the amount of tax collected through it in each case.
4. The legislation does not currently include commencement or transitional provisions. Setting these out clearly in primary legislation is essential so that taxpayers and agents are aware of their responsibilities.
5. We also recommend that record keeping requirements are updated to ensure that taxpayers have sufficient information to know how to correct errors when they become aware of them. We expand on this further below.

CORRECTION OF ERRORS

Paragraph 1(1)

6. We note the proposed amendment to s118(6), Taxes Management Act (TMA) 1970 and assume that equivalent amendments will be made to the acts covering taxes that are not within the scope of TMA (eg, inheritance tax (s240A, Inheritance Tax Act 1984), stamp duty land tax (para 31A, Sch 10, Finance Act 2003)).
7. Where a taxpayer carries out a review of historic affairs under the incoming statutory requirement to correct and concludes that there was an error but it is now outside of HMRC's assessment windows and therefore does not require correction, could HMRC confirm that this would not trigger a later assessment of deliberate behaviour, provided that the taxpayer has retained contemporaneous evidence of why and how this conclusion was reached? This should not contain a requirement to take external advice on the matter, as the requirement to correct will cover a wide range of issues and it will not always be proportionate for the taxpayer to commission external advice.

Paragraph 1(3)

8. We welcome the confirmation that no penalty would arise where an inaccuracy is corrected in accordance with a correction notice before the specified deadline, unless the person has been issued with a correction notice within the previous six years.
9. We note the draft legislation does not contain any commencement rules and therefore are keen to understand how this would work within the first six years after correction notices have been introduced. Also, what would happen if there is an open enquiry at the time the new rules are introduced? Presumably going forward, HMRC would issue a correction notice rather than open an enquiry if it is confident that an error needs to be corrected. However, will it guarantee that that no penalties arise if the error was discovered during an enquiry?

Part 1, prospective Schedule 24A, Finance Act 2007 – Duty to correct

10. We are pleased that no specific procedure has been set out for the format of notification of errors. This preserves flexibility. Different cases may need different processes (eg, COP9, digital disclosure service, telling a customer compliance manager, etc). We recommend that this flexibility is retained.
11. If HMRC plans to introduce a standard mailbox to cover notifications not already covered by an existing route, we recommend that this is well publicised and properly staffed. If it is HMRC's intention for taxpayers to use the digital disclosure service for notifications, we recommend introducing an option to upload documents with the disclosure itself.
12. We also encourage HMRC to support the wider use of correction notices and the introduction of a statutory requirement to correct with updated training on HMRC's discovery assessment powers, contract settlements and partial and full closure notices.
13. On a related note, we suggest that HMRC's guidance on correction notices makes clear the relationship between correction notices, discovery assessment powers and partial/full closure notices.
14. The government may wish to consider introducing a de minimis threshold, below which correction is not required.
15. We draw your attention to the Professional Conduct in Relation to Taxation (PCRT) [Helpsheet C1](#) paragraph 16. This states: "As a general principle all known errors should be corrected (save for non-material adjustments as described above). In the opinion of the professional bodies, it is reasonable for a member to take no steps to advise HMRC of isolated errors where the tax effect is no more than minimal, say up to £200, as these will probably cost HMRC and the client more to process than they are worth to the Exchequer."
16. Imposing a statutory duty to correct errors below this amount would force taxpayers and agents to take action and HMRC to enforce that action, potentially at greater cost to all parties than the amount of tax at stake.

CORRECTION NOTICES**Paragraph 2(1)**

17. A correction notice may be issued where "HMRC have reason to suspect" that the document contains an inaccuracy. How will "reason to suspect" be defined for this purpose?

Paragraph 2(2)

18. We note also that there is missing word in the draft legislation:
A "correction notice" is a notice which—
(a) specifies the inaccuracy or kind of inaccuracy which HMRC have reason **to** suspect the document contains"
19. The provision requires P to act "before a deadline specified in the notice". How will the deadline be determined? We recommend that a deadline is specified in the legislation and that this be no less than 60 days after the issue of the notice with an option for P to request more time, such as if they need to obtain records from someone else (eg, an offshore bank or trustee). Although we agree that the action should be taken promptly, we would like to ensure that taxpayers are given time to make a complete and accurate disclosure, should one be required. If the taxpayer is not already represented, some time may also be needed to appoint an agent to act on their behalf.
20. It would be helpful if correction notices also reminded the recipient of the statutory requirement to correct and that they may wish to review their affairs more widely. As this

would be a generic statement, rather than based on clear data held by HMRC, any subsequent disclosure should be treated as unprompted.

21. For this policy to be effective, HMRC must add wording to the draft legislation that revises the record keeping rules so that taxpayers are required to retain their records at least until the expiry of the relevant tax assessment time limit that applies to mistakes despite taking reasonable care. It could reasonably be extended to six or 12 years (depending on the assessment time limit) to cover off situations of carelessness, which seem relatively common given the tax gap behavioural analysis.
22. There are no legislative requirements specifying the length of time for which agents should retain records, so the agent may not have the info either. Alongside this, HMRC should improve its guidance for taxpayers on the records that they should retain, particularly for more complex matters such as personal tax residence.

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](#)