ICAEW
REPRESENTATION 92/26

WRITTEN EVIDENCE TO THE FINANCE BILL SUB-COMMITTEE

Issued 9 October 2026

1. ICAEW welcomes the opportunity to provide evidence on the Draft Finance Bill 2026-27 to the House of Lords Economic Affairs Finance Bill Sub-Committee in response to its call for evidence made on 18 September 2026.
2. This evidence of 9 October 2026 has been prepared by ICAEW's 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.
3. Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 211,600 members and students around the world. 81 of the top 100 global brands employ ICAEW Chartered Accountants. 82% of FTSE 100 companies have an ICAEW member on their board. Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor more than 11,500 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

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SUMMARY

4. This submission covers the proposed reforms to correction of errors, the proposed criminal offence for reckless untrue statements, benefits in kind reporting, and low value imports.

5. We have also included comments on the new securities transfer tax. While we recognise that securities transfer tax (see paragraph 36) does not fall directly within the specific questions posed by the Committee, we believe it is important to draw attention to this issue. In our view, the proposal raises significant risks which could adversely affect taxpayer compliance and undermine wider government objectives to support an effective and efficient tax system. We therefore consider it appropriate to highlight these concerns as part of our evidence.

6. We support several elements of the proposed reforms covered by this call for evidence and welcome changes made in response to stakeholder feedback, including the phased approach to mandatory payrolling and the earlier timetable for low-value import reform.

7. However, some proposals remain unclear, disproportionate or unready for implementation, including:

    - **Statutory requirement to correct tax inaccuracies:** While there may be some additional tax revenue from correcting errors, the effect may be limited as professional tax advisers already require clients to correct known errors. HMRC's new powers to issue a correction notice could help reduce time and cost of tax compliance, however greater clarity and guidance is needed on draft provisions such as "reason to suspect" and "reasonable steps".
        - **Proportionality:** The legislation should include monetary and time-based limits, including a £200 threshold for the statutory duty. Correcting an error below this threshold would require action that could cost all parties more than the tax amount.
        - **Penalties:** We are concerned that the current drafting may cause errors discovered during an HMRC enquiry to be treated automatically as a deliberate behaviour, resulting in increased penalties. This needs clarification before the legislation is enacted.
    - **Criminal offence:** ICAEW does not support creating an offence of making reckless untrue statements for direct taxes. We believe existing HMRC powers could be exercised more effectively. A new offence could complicate established rules and disincentivise voluntary disclosures.
    - **Mandatory payrolling of benefits:** ICAEW is concerned whether employers are fully aware of the data gathering and reporting requirements and the cashflow impact of funding Class 1A NIC in real time, along with the prior year Class 1A NIC liability in the first year. Phase 1 (April 2027) is only achievable if HMRC urgently addresses outstanding issues such as the technical specifications required to enable third-party software providers to build their products and the end of year reconciliation process.
    - **Low-value imports:** ICAEW supports many elements of this package. However, we are concerned about the joint and several liability associated with being a fiscal representative and whether sufficient fiscal representatives will participate in the market and how liability will be kept proportionate.
        - **Implementation:** The October 2028 timetable is supported, provided businesses are given at least 18 months to prepare for the required changes. ICAEW favours a single combined VAT and customs return for low-value imports.
        - **Business and consumer impact:** The reforms should improve competitive neutrality, but they will increase compliance costs and likely raise consumer prices. Some exclusions could require expensive customs declarations for very small amounts of duty.

8. Please note that ICAEW has made comprehensive representations on these matters to HMRC and the responses are either published at icaew.com/technical/tax/tax-faculty/tax-faculty-representations/2026-tax-representations or will be available shortly.

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ANSWERS TO SPECIFIC QUESTIONS

Modernisation of the correction of errors

Question 1. How do you expect this measure to operate in practice and what effects do you expect it to have, particularly on taxpayer compliance?

9. We anticipate some additional tax yield to arise from placing a statutory requirement on taxpayers to correct inaccuracies they become aware of after they have filed returns. However, we believe that the additional yield is likely to be limited as:
    - some taxpayers may never become aware of those inaccuracies;
    - other taxpayers may decide not to correct the position when they become aware of an error; and
    - the fundamental principles set out in professional conduct in relation to taxation (PCRT) require tax agents to advise their clients to correct errors when they are discovered.
10. HMRC's new power to issue a correction notice could help to reduce the time and cost involved in managing tax compliance compared to opening statutory enquiries. If this measure means that HMRC can intervene in a greater number of cases, further additional yield could be achieved.
11. Based on the draft provisions published in July 2026, there are some uncertainties around how the proposed measures would operate as some concepts may be difficult to apply in practice. For example:
    - HMRC must have 'reason to suspect' that a document contains an inaccuracy. How is this determined?
    - The taxpayer must take 'reasonable steps' to secure that the inaccuracy is corrected. What constitutes a reasonable step?
12. However, we expect that the operation of this measure is likely to become clearer once guidance is published and it starts being applied in practice.

Question 2. Does the measure strike a proportionate balance between the taxpayer and the tax authority?

13. As the draft legislation is currently worded, there is no de-minimis loss of tax threshold. This means that, in theory, a taxpayer would be required to correct an error which led to a loss of tax of just one penny. In addition, there is no maximum time look-back, hence an inaccuracy in a return submitted, for example, 20 or 30 years ago must be corrected.
14. We recommend that monetary and time limits are placed on the operation of the requirement to correct to ensure that the measure is workable in practice.
15. PCRT Helpsheet C1 paragraph 16 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. We propose that this de minimis limit should be applied to these provisions. Imposing a statutory duty to correct errors worth less than 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.

Question 3. What are your views on the proposed sanctions for non-compliance?

17. There is a particular uncertainty relating to para 1(4), new Sch 24A, FA 2007 that professional bodies have pointed out to HMRC that it has not yet satisfactorily explained. Under this sub-paragraph, where a taxpayer fails to take reasonable steps to correct an inaccuracy it becomes aware of, the inaccuracy is to be treated as deliberate for the purposes of determining tax-geared penalties.

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18. It is not clear whether a taxpayer needs to become aware of the inaccuracy by their own volition for these purposes, or whether the discovery of the error during an HMRC enquiry could be treated as the taxpayer becoming aware of the inaccuracy. If the latter is the case, this would give HMRC the power to treat any error discovered during an enquiry as arising from deliberate behaviour, with the resulting impact on penalties. It is important that this matter is clarified before the legislation comes into effect.

Question 4. How straightforward is it likely to be for taxpayers to understand their obligations under this measure?

19. We are pleased that no additional means of correcting inaccuracies have been proposed. This would have made compliance of the tax system more complex. However, given the variety of methods currently in place (disclosure regimes, return amendments etc) it will still be essential in most cases for a taxpayer to seek help or advice from an agent to fulfil their obligations under this measure.

Question 5. Are there alternative means of achieving the policy objectives of this measure?

20. Instead of issuing correction notices, HMRC could raise formal enquiries into the relevant returns. However, we anticipate that these notices would only be issued where it is pretty apparent that there has been an error or omission and hence opening a formal enquiry would be unnecessarily complex and expensive.

21. HMRC currently issues one-to-many compliance intervention letters to taxpayers it has reason to believe have made errors in or omissions from their returns. However, there is no statutory requirement for taxpayers to respond to these letters. The threat of HMRC opening an enquiry is often sufficient incentive for taxpayers to take action, but the expectation that no enquiry will be raised is often enough for a taxpayer to take the risk of non-action. Introducing a formal requirement to correct is an improvement on existing procedures.

Question 6. How might this measure interact with other taxpayer duties and HMRC powers?

22. As mentioned above, further clarity is needed to determine how the proposed measure will interact with the formal enquiry process and how the requirement to correct and HMRC's correction notice procedures will work alongside each other.

Question 7. What are your views on how this measure was developed and consulted on?

23. This measure is being introduced as part of HMRC's Tax Administration Framework Review (TAFR) which has been running for several years. From that perspective, there have been ample opportunities to contribute to the discussion and respond to consultation documents. However, we would welcome more pro-active engagement with HMRC about the ways in which the proposed measures will operate in practice, including inputting into the wording of the legislation and any related guidance.

Criminal offence of reckless untrue statements and declarations consultation

Question 8. What are your views on the need for a new criminal offence of making reckless untrue statements or declarations in direct tax matters, as is currently being consulted on? How effective do you expect such an offence to be at improving taxpayer compliance?

24. ICAEW does not support the introduction of this measure. We would prefer the government to review the powers already available to HMRC and ensure it uses those powers successfully.

25. We believe that deterrents are only effective if they are easily understood by those to whom they could apply. We believe that the introduction of a recklessness offence risks adding complication to existing regimes which make a clear distinction between careless, deliberate and fraudulent behaviour, concepts which are already well understood within the tax profession and by knowledgeable taxpayers.

26. ICAEW considers there is also a risk that the new offence may also deter disclosures, especially if Code of Practice 9 or the contractual disclosure facility cannot be relied upon to provide immunity from prosecution under the new measure.

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Mandatory reporting of benefits in kind in Real Time Information from April 2027

Question 9. How straightforward will it be for employers to report benefits in kind through real time information, in relation to Phase 1 benefits from April 2027 and Phase 2 benefits from April 2028?

27. Phase 1 benefits (company cars and fuel, vans and fuel and employer provided medical benefits) are the high-volume, widespread benefits in kind provided by many employers. Since HMRC reduced the number of data fields from 126 to 32, it should be more straightforward for employers to meet these obligations. The company car data reporting (including the 14 existing data fields) replicates to some extent the reporting requirements that are already in place, though there are additional new fields required for summary values and Class 1A NIC and the other Phase 1 benefits. The additional data collection requirements for Phase 1 benefits should not be too onerous if the data is already collected and stored in payroll systems, especially in relation to company cars. HMRC did not appreciate and continues to underestimate the difficulties in entering this new data in the payroll system during the monthly (or more frequent) payroll cycle. There appears to be a lack of understanding of the work needed to transfer the data from multiple benefit providers to the people/system responsible for the payroll submission while maintaining appropriate sign offs by the employer. This is more problematic when the payroll is also outsourced and multiple benefit providers are involved. The exact data requirements for Phase 2 are not yet known but the same principles apply.

Question 10. How prepared are employers of all sizes for the changes? What support may be needed from HMRC ahead of the changes?

28. The majority of employers are aware of the changes. The primary concern is whether employers are aware of the additional requirements that will be placed upon them in terms of data collation, more regular reporting and funding of Class 1A NIC in real time, along with the prior year Class 1A NIC liability in the first year. To date this has not been widely communicated (and was only recently confirmed in September 2026). Employers who currently voluntarily payroll benefits may be under the impression that they do not need to take any action, but this is not the case. We are aware that there is a further communications exercise to employers planned for early November, but this is a short timeframe.

Question 11. How will the measure affect businesses' administrative burdens once implemented? Does this differ for those that will continue to report some benefits using P11Ds?

29. Most employers will be required to follow both reporting processes, at least for 2027-28, and probably beyond as most are likely to not only provide Phase 2 (other) benefits, but also either provide loans or accommodation or employ globally mobile employees for which P11D reporting will remain in place for the time being. There is clearly an additional burden to simultaneously complying with two different reporting systems, even if the data collection processes can be streamlined to some extent. Reporting and payment deadlines for both processes must be managed and adhered to and while employers can choose to register and voluntarily payroll non-mandated benefits during Phase 1, they will then be required to report and pay Class 1A NIC in real time all on payrolled benefits which may be an influencing factor if cash flow is a concern.

30. For globally mobile employees, HMRC is requesting that either all global benefits are processed via the payroll or none, meaning in some cases that previously payrolled benefits may actually be removed from the system. This highlights that most employers will need to use both reporting mechanisms for one reason or another. HMRC is planning to introduce a new G-form in order to opt out from payrolling for globally mobile employees which seems like an unnecessary additional administrative burden.

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Question 12. What are your views on the revised delivery timetable for mandatory payrolling of benefits? Are the proposed start dates of April 2027 and April 2028 achievable?

31. We were supportive of the initial delay to April 2027 and the subsequent rephasing of the implementation, enabling employers to focus on more mainstream benefits in kind first. However, we do share concerns that have been consistently raised by software industry representatives who still do not have the full extent of the technical specification data required to build or develop the payroll software required to comply with this measure. End of year reporting and reconciliation processes including payment deadlines are still being discussed by HMRC six months out from the implementation start date. These outstanding issues need to be addressed as a matter of urgency for the Phase 1 April 2027 start date to be achievable.
32. The Phase 2 start date of April 2028 is likely to depend significantly on the success of the first phase, and it has been suggested that there perhaps did not need to be a fixed date for Phase 2 as part of the rephasing announcement. We remain of the view that the RTI monthly (or other earnings period submissions) is not the best vehicle for submitting the extra data required.
33. We would urge HMRC to discuss alternative solutions with the software industry and consider delaying Phase 2 to allow alternatives to be fully explored and a final solution fully specified with time for development, testing and integration into employers' systems.

Question 13. How realistic are HMRC's estimates of the costs to businesses of complying with this measure?

34. HMRC's estimates do not consider the changes required to information flow/processes, the timescales for this and the possibility of needing to amend contracts with benefit providers for these purposes. There is also the potential requirement for new or updated payroll software and potentially seeking professional advice, and the management (including review) of two processes as referenced in the answer to question 11. There will inevitably be questions raised by employees when they see differences to their net pay which may incur additional external advisers/payroll costs to deal with. For these reasons we believe HMRC has badly underestimated the costs to employers and this is in need of a thorough review.

Question 14. What are your views on how HMRC has approached the design and delivery of this measure since it was first announced in 2024? Have HMRC taken appropriate steps to ensure that they understand that challenges business may face in mandatory payrolling benefits?

35. The initial delay to the implementation of this measure and then rephasing approach, including the exemptions for loans and accommodation benefits and for globally mobile employees, has shown that HMRC has listened to stakeholder feedback and concerns about timescale and the challenges that employers face. This engagement has shown that HMRC initially underestimated the process changes required and the impact on employers. We continue to be concerned about the speed of engagement on the software elements and wider employer communications as the implementation date approaches.

Securities transfer tax

36. Clause 9 would introduce joint and several liability for tax agents in relation to securities transfer tax filings, representing a significant shift in the responsibilities and risks associated with acting as an agent. ICAEW is concerned that imposing joint and several liability on agents is disproportionate.
37. Feedback from members indicates that the proposal could lead some agents to cease filing returns on behalf of clients, potentially reducing access to professional support and adversely affecting overall levels of compliance.
38. The "reasonable steps" safeguard provides only limited protection, as the test is inherently subjective and may create uncertainty for agents regarding their potential exposure to liability.

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39. More broadly, members are concerned about the use of joint and several liability provisions in the tax system, particularly where safeguards and statutory protections are limited (see also the comments in paragraph 41 below). We therefore recommend that clause 9(4) be amended to remove joint and several liability for accountable persons acting solely in their capacity as tax agents.

Reforming customs rules for low-value imports

Question 15. Are the proposed mandatory new customs arrangements an appropriate response to the increase in low-value imports in recent years?

40. Yes, in principle. ICAEW supports removing the current customs duty relief for low-value imports and introducing mandatory arrangements for sellers and online marketplaces. The current regime can create an uneven competitive environment between UK retailers, who pay duty on imported stock, and sellers shipping individual items directly to UK consumers.

41. One area of concern is the proposed fiscal representative model. Fiscal representatives will be jointly and severally liable for customs debts owed by sellers and online marketplaces without a UK presence. While ICAEW understands the revenue protection rationale, standard professional indemnity insurance does not generally cover assumed third-party tax liabilities of this nature. This may make it difficult for reputable firms to participate in the market and could ultimately undermine the effectiveness of the regime. The government has acknowledged concerns regarding market availability and cost. ICAEW therefore asks how sufficient fiscal representatives will be available in practice and how liability will be kept proportionate.

42. The government has confirmed that goods subject to non-ad valorem tariff rates will be excluded from the new arrangements and must instead use standard import customs procedures. ICAEW welcomes the commitment to keep the exclusions list under review and encourages government to monitor carefully whether exclusions create disproportionate compliance costs relative to the revenue collected (see Q18) and remain justified in practice.

Question 16. What are your views on the timetable of introducing the new customs arrangements for low-value imports by October 2028 at the latest?

43. ICAEW welcomes the move from the previously proposed implementation date of March 2029 to October 2028. In our response to the original consultation, we noted that the later date risked making the UK a destination for undervalued or non-compliant imports displaced from markets implementing similar reforms.

44. However, success will depend on businesses receiving sufficient certainty and lead time. ICAEW's engagement with members during the consultation indicated that changes of this scale typically require at least 18 months to implement. Businesses will require clarity on technical specifications, reporting requirements and operational rules significantly in advance of implementation.

45. Early certainty is needed on the VAT collection model. The government's July 2026 consultation response leaves a number of important design questions unresolved, including the interaction between VAT and customs duty reporting, which will affect systems development and implementation planning. ICAEW has previously called for a single, unified return for VAT and customs duty on low-value imports. A coherent reporting framework would reduce complexity and improve compliance.

46. Businesses also require certainty regarding the proposed handling fee. Details including the amount of the fee, the basis on which it will be charged and the timing of its introduction should be confirmed as soon as possible as they will affect pricing, systems development and commercial decisions.

Question 17. How straightforward will it be for businesses to adjust to the new system? How best can HMRC support businesses to prepare for the change?

47. The ease of adjustment will vary by business. Large online marketplaces and retailers are likely to have greater resources to adapt. Smaller marketplaces and sellers are likely to face

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greater challenges, particularly where resources to invest in systems, product classification and compliance processes are limited.

48. HMRC can best support businesses by:
    a. publishing detailed guidance and technical specifications at an early stage;
    b. clearly setting out reporting and evidential requirements;
    c. engaging with software providers, marketplaces and customs intermediaries throughout implementation;
    d. providing certainty around fiscal representative requirements and any handling fee; and
    e. ensuring that traders have sufficient visibility of the data reported through the new arrangements to reconcile liabilities and identify errors.

Question 18. How is this measure likely to impact UK businesses and consumers generally?

49. The reforms should improve competitive neutrality by reducing the advantage currently available to some sellers supplying low-value goods directly to UK consumers. This should benefit UK retailers and compliant overseas suppliers.
50. There will also be costs. Sellers and online marketplaces are likely to incur additional compliance, systems and administrative costs. Consumers are also likely to see higher prices where customs duties, handling fees and compliance costs are passed through supply chains.
51. ICAEW has previously stated that any handling fee should reflect the costs incurred, supported by a published evidence base and charged on a per-consignment rather than a per-item basis. This is particularly important in the low-value market, where even modest charges can significantly affect consumer prices. For example, a £3 fee on a £12 item represents a 25% increase even before any customs duty is taken into account.
52. The impact is also unlikely to be uniform across sectors. Because goods subject to non-ad valorem duties are excluded from the new arrangements, members have identified examples where full customs declarations may be required despite the amount of customs duty involved being extremely small. Members have highlighted the example of certain wristwatches that currently benefit from the £135 relief, but are otherwise subject to a specific customs duty of only £0.20 per item under the UK tariff. In such cases, the compliance and clearance costs associated with a full customs declaration will substantially exceed the duty being collected. Although these cases may be limited, they raise broader questions about whether all exclusions continue to deliver proportionate outcomes.
53. Smaller overseas businesses may also face proportionately higher compliance costs than larger retailers and marketplaces. The government has recognised concerns that the reforms could reduce consumer choice and discourage some overseas sellers from supplying the UK market. These impacts should be monitored as the reforms are implemented.

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