

## **Better use of new and improved third-party data to make it easier to pay tax right first time**

### **Response by the Chartered Institute of Taxation**

#### **1. Executive Summary**

- 1.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity, and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.
- 1.2. We welcome policy and processes that make it easier for taxpayers to meet their tax obligations. Improved data collection and effective data matching which helps to deliver pre-populated returns and tax codes for taxpayers, adds depth of information to a future 'Single Customer Account' and improves tax compliance are all welcome long-term aspirations for the future of the UK tax system. However, care needs to be taken that plans for the better and increased collection of third-party data are achievable, likely to meet their objectives, and a realistic fit with HMRC's plans for change in the next five to ten years.
- 1.3. Full data collection should remain part of the overall plan to deliver pre-population of third-party data. The introduction of special considerations and de-minimis levels would seem mis-aligned with the vision of the Single Customer Account and would potentially introduce complexity and error, such as where taxpayers assume that their pre-populated data is complete. We recognise there will be complexities with certain financial accounts or providers, and consideration of these should be built into a plan/roadmap for phased implementation, providing clarity on future requirements and timescales for implementation.
- 1.4. The use of pre-population to update PAYE codes during the tax year would improve their accuracy and reduce post year-end adjustments – again all welcome long-term aspirations. However, a realistic and cautious approach is needed. Currently there are recognised issues with updating PAYE codes in real time; with P800 reconciliations (including streamlining these with Self-Assessment); communicating tax code changes to taxpayers and agent authorisation and access to services. Focussing on improving current pre-population with

annual filings such as self-assessment then, once accurate and reliable, trialling pre-population with P800s and then annual PAYE codings could help provide a real opportunity to work towards this longer-term aspiration.

- 1.5. For pre-population to result in an easier, more streamlined self-assessment process for taxpayers, and agents, HMRC need to be able to:
  - Accurately identify the correct taxpayer;
  - Provide data which is sufficiently split between source and periods;
  - Provide taxpayer or agent functionality to over-ride pre-populated figures;
  - Ensure that pre-population is an integral step in HMRC's transformation plans; and
  - Be implemented effectively over a phased, manageable timeframe.
- 1.6. It must be within the taxpayer's control to be able to amend an incorrect pre-populated figure themselves, with HMRC's systems able to detect when this has been done so that they can follow up with the taxpayer as necessary. A taxpayer should never have to revert to the third-party data provider to correct a figure that has been sent to HMRC. This would be a far too impractical, time consuming and costly exercise for both the taxpayer and the third-party data provider.
- 1.7. For pre-population to deliver a more seamless process for taxpayers and agents, both need clarity on the breakdown of a pre-populated figure. There should be sufficient information to enable a taxpayer (and their agent) to match the data to their own information (for example, bank name/company name, account number/shareholding, date received and period to which the information relates). If there is no breakdown of information provided, pre-population could be more onerous than the taxpayer inputting the data themselves, and it would undermine its purpose.
- 1.8. The consultation appears to assume that there are benefits to the extension of third-party data collection to UK and Scottish partnerships, companies (and non-UK businesses), trusts and charities. We await a further policy update on whether Making Tax Digital will be extended to partnerships and companies. A consultation on e-invoicing has recently closed, which discusses the potential introduction of real time reporting. It is unclear at present how this all fits together. HMRC's transformation roadmap, due to be published in the coming months, should provide clarity. Without understanding the longer-term vision, there is a risk that projects such as this form a patchwork of reform, without linking up seamlessly and effectively.
- 1.9. Pre-population itself may take time to effectively implement due to the significant IT infrastructure upgrades required at HMRC and developing the ability to pre-populate into third party software (particularly important where HMRC do not provide a year-end submission service). Realistic timescales must be set, and recognise the extent of other ongoing digital projects, which require HMRC, software developer, agent and taxpayer resources to implement.
- 1.10. Care should be taken around the messaging of the benefits steps to extend the use of third-party data. It is a step towards a longer-term plan to move to a Single Customer Account and pre-population, rather than delivering full pre-population at this stage.
- 1.11. There are some interim steps which could help reduce complexity in the short term, as we build towards pre-population (if that is the UK Government's ultimate vision). For example, a common reporting template for annual tax packs would help minimise inaccurate and inconsistent pre-population for SA and PAYE purposes.

Annual tax packs could also cover both the income tax and corporation tax treatment of dividend and investment income.

## **2. About us**

- 2.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3. The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

## **3. Introduction**

- 3.1. The CIOT is pleased to provide a response to the UK Government's consultation [Better use of new and improved third-party data to make it easier to pay tax right first time](#), published on 26 March 2025.
- 3.2. A key focus of this consultation is to gather feedback on the feasibility and practicality of third-party data collection from those organisations which will be, or currently are, directly involved in supplying data to HMRC, such as financial institutions and providers of card acquiring services. Given our role as a professional body dealing with all aspects of taxation, our response is focussed on questions regarding the tax policy and tax compliance aspects of using third party data. We do not comment on how these proposals might improve the quality of the data supplied or the practicalities of data collection from third parties.
- 3.3. Our stated objective for the tax systems include:
  - A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
  - Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
  - Greater certainty, so businesses and individuals can plan ahead with confidence.
  - A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
  - Responsive and competent tax administration, with a minimum of bureaucracy.

**4. 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?**

- 4.1. The Office of Tax Simplification (OTS) report '[Making better use of third party data: a vision for the future](#)' explored some of the potential benefits of extending the use of third party data, including improving tax compliance, providing a more seamless experience for taxpayers dealing with their tax obligations in a digital world, providing the ability to update tax codes and providing further information to help deliver the 'Single Customer Account' (SCA). The SCA programme was [formed following the Spring Budget in 2021](#) to transform HMRC's digital services for customers by building a new digital account experience, which provided digital end to end services and optimised existing services. This is part of HMRC's commitment to a 'digital first' strategy. The SCA programme included plans to join existing personal tax account (PTA)/business tax account (BTA) with new functionality to create a single, personalised, intuitive, and relevant digital experience for HMRC's customers.
- 4.2. Data collection and pre-population is a key step in HMRC's SCA programme. Introducing special considerations and de-minimis thresholds would seem misaligned with this vision. HMRC should collect, use and share taxpayer data to help taxpayers get their tax right first time, in as seamless and simple a journey as possible. Introducing special considerations could increase complexity and scope for error, with taxpayers not realising that the information is incomplete.
- 4.3. That is not to say that complexities with certain financial accounts or providers should not be given due consideration, and their identification and resolution should be built into a clear plan for phased implementation, which provides clarity on all future requirements and timescales for different providers.
- 4.4. HMRC should also consider the benefits of third-party data suppliers sharing a copy of the data they provide to HMRC with the taxpayer and agent (as is required under the OECD Reporting Rules for Digital Platforms<sup>1</sup>), with the caveat that this must be shared in a manner which is clear and can be understood by taxpayers. Providing a copy of this information to the taxpayer could help the taxpayer (and their agent) understand the breakdown of pre-populated figures, and improve understanding and compliance, if this breakdown is not available through pre-population within third party software or HMRC services at the outset.

**5. 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?**

- 5.1. Charities should be able to be identified using the reference allocated to them by the Charity Commission.
- 5.2. UK and non-UK Trusts, subject to a number of exceptions, must be registered on the Trust Registration Service and are provided with a Unique Reference Number which could be used as a suitable identifier. Meaningful matching to individual taxpayers may not be practical or achievable depending on the nature of the trust.

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<sup>1</sup> We endorse the guidance which has been produced by CIOT's Low Incomes Tax Reform Group at <https://www.litrg.org.uk/working/gig-economy/oecd-rules> and <https://www.litrg.org.uk/working/gig-economy/seller-information-statements>.

- 5.3. Overseas businesses which trade in the UK may not have a UK Companies House reference number, unless they have registered with Companies House and been allocated a UK establishment number. If so, this number could be used as a suitable identifier.
- 5.4. Limited Liability Partnerships and limited partnerships are registered with Companies House and are allocated a unique eight-digit Companies House reference number, which could be used as a suitable identifier.
- 5.5. However, UK and Scottish Partnerships are not registered at Companies House, so they do not have a Companies House reference number. Some of them may have a VAT registration number and/or a PAYE reference number which could be used. For some of them, their HMRC Unique Taxpayer Reference (UTR) may be the only suitable identifier.
- 5.6. There are specific complexities which will affect partnerships, notwithstanding the choice of appropriate reference number, such as how to enable the most effective breakdown of the third party data to the underlying partners, bearing in mind that partnerships are in themselves a relatively flexible structure, with differing profit sharing arrangements (sometimes differing year to year) and may have non-aligned accounting periods. It is unclear whether the objective is to pre-populate the partnership return only, or the partner's individual returns. We doubt that the latter may even be practical.
- 5.7. Although not specifically mentioned in the consultation document, HMRC should give consideration to their position with accounts of deceased individuals and/or accounts set up during the administration of an estate. There are complexities with matching of data to the deceased taxpayer as only complex estates are registered with the Estate Registration Service and issued with a UTR.
- 5.8. These complexities highlight the need for HMRC to have a clear vision on how far pre-population can realistically extend, and whether and how it will work for bodies such as partnerships, charities, companies (UK and overseas), trusts and estates etc. It is not clear from the consultation and experience to date that the benefits of pre-population will automatically accrue to these other bodies. A cost-benefit style analysis may be needed for each group of taxpayers as (for example) the cost/benefit for charities (particularly non-taxable charities), will surely look very different to that of introducing pre-population for individual taxpayers.
- 6. 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)?**
- 6.1. Third party data providers are better placed to provide insight as to the feasibility and costs of collection of identifier numbers. However, the requirement to collect information for HMRC should not preclude access to banking or any other services for those who do not have a UK tax identifier and do not interact with HMRC. Equally, it should remain possible, for example for taxpayers who are not eligible for a NINO or those who are digitally excluded, to interact effectively with their financial account providers, software providers, HMRC, their agent etc to comply with their tax obligations.
- 6.2. A phased approach to implementation may help to deal with some complexities by providing direct experience of implementation and time to develop a solution. Ultimately, the UK Government may need to consider a mandate, but we would caution this approach initially, to allow time to cascade such digital change successfully.

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

- 7.1. We agree it is sensible to use the existing penalty regime, rather than devising and implementing another new regime. We would also welcome consideration of penalty easements, as part of a phased implementation plan.
- 7.2. The consultation proposals include penalties for 'failure to notify individual reportable persons that the financial services provider has submitted information about them to HMRC'. This approach would mirror that taken with the Reporting Rules for Digital Platforms data sharing scheme, which requires platforms to give the individual a copy of the data sent to HMRC. This should help the taxpayer (a) query the data with the bank if it looks wrong; and (b) remind them to declare it to HMRC on their tax return (if it has not already been pre-populated by HMRC), if they file one, thus potentially reducing errors.
- 7.3. Proposed penalties also include penalties for inaccurate and incomplete records. HMRC could also charge penalties under Para 1A Schedule 24 FA 2007 for poor quality data, provided the conditions in this legislative provision are met. If additional penalty provisions are introduced, consideration should be given as to the insertion of a double jeopardy clause to ensure penalties cannot be charged under both legislative provisions.

**8. Question 18 (a): What data do you (individuals and their agents) currently use to calculate tax liability on dividends and other investment income?**

- 8.1. For unquoted dividends, information on dividends declared is usually collated from the company's financial statements or collated from dividend vouchers and reconciled to the company accounts. Care needs to be taken with the mismatch of company reporting periods and the tax year, to ensure that all dividend income is reported, and in the correct tax year. Where a taxpayer's agent does not act for the company, they may rely on dividend vouchers and/or communications from the company or the company's agent setting out the dividends declared (with information checked against bank statements where appropriate).
- 8.2. For listed investments, there is usually a tax pack/annual document produced and issued by the portfolio manager which will contain details of dividends and other investment income from quoted investments. There may be separate schedules prepared prior to this information being input into tax return software to ensure proper checks, analysis and audit trail. The quality of tax packs can be mixed, meaning that it can sometimes be difficult to identify the type of investment, and associated income. It would help if there were a common reporting template for annual tax packs, which would also help minimise inaccurate and inconsistent pre-population for SA and PAYE purposes.
- 8.3. It would also be useful if customer annual tax packs could cover both the income tax (IT) and the corporation tax (CT) treatment of dividend and investment income, as it can be difficult to disentangle where the CT loan relationship rules apply. In the case of a mixed member partnership, the IT and CT treatment of the same portfolio may be required to report respective shares of income on SA returns and CT returns.
- 8.4. Where investments are not held in a portfolio, an agent may subscribe to a specialist online service or use data feeds in SA tax return software (where shareholdings are known and not changed). Alternatively, clients still generally supply paper or digital records, perhaps with bank statements to back up receipts.

- 8.5. There are several 'distributions' which are not technically a dividend but are taxed as such, and could conceivably be missed in any pre-population exercise. This is one of the complexities that needs to be built into the long-term plan, for consideration and consultation.
- 8.6. The OTS report '[Making better use of third party data: a vision for the future](#)' discusses other data sources that are already reported to HMRC and so should be available to taxpayers via pre-population. In addition to considering dividend and investment income, wider consideration of pre-population of other data sources should also continue to be evaluated and progressed.

**9. Question 18 (b): Would it be easier if this data were pre-populated in self-assessment or shown in a PAYE tax coding notice?**

- 9.1. The effective use of dividend and other investment income to promptly update PAYE coding notices during the tax year, where a taxpayer has opted into collection of tax on this income through PAYE, would improve the accuracy of PAYE codes and reduce the need for post-year-end adjustments. However, HMRC should take a realistic and cautious approach to this journey – it is a welcome long-term aspiration and the work around collection of third-party data should be designed with this in mind, but care is needed as it will need some refinement. There are several areas of focus in the short term which would help improve PAYE reporting, and improvements in these areas may help inform and build towards the ultimate vision of in year coding of dividend and investment income.
- 9.2. For example, there are recognised issues with updating PAYE codes in real time and with P800 reconciliations (including streamlining these with Self-Assessment (SA)). There are also recognised issues with communicating tax code changes to taxpayers and pre-population, especially where HMRC receive frequent new data, which risks multiple minor changes to PAYE codes that could confuse the taxpayer and create errors if it is not clear what the new data is overwriting from a previous tax year. It would be better to prove the reliability of pre-population data against annual tasks, such as the SA tax return, before seeking to roll it out to real time tasks, such as PAYE coding. When pre-population is proven to be accurate and reliable, we would suggest starting by trialling its use with P800s, then annual PAYE codings. This will help ensure effective delivery of in-year coding of dividends and investment income in the future.
- 9.3. It is important that there is parity between taxpayer and agents when delivering any future improvement or changes to its PAYE service – agents should be able to see and do everything that their client can including, but not limited to, in year coding of dividend and investment income.
- 9.4. For pre-population to result in an easier, more streamlined self-assessment process for taxpayers, and agents, HMRC needs to be able to:
- Accurately identify the correct taxpayer;
  - Provide data which is sufficiently split between source and periods;
  - Provide the functionality to over-ride pre-populated figures;
  - Ensure that pre-population is an integral step in HMRC's transformation plans and
  - Be implemented effectively over a phased, sensible timeframe.

The challenges in each of these areas are explored briefly below:

9.5. *Accurately identify the correct taxpayer*

9.6. In addition to those set out in sections 5 and 6, complexities exist where there is a trust arrangement and arrangements which fall under the settlement provisions of Section 624 ITTOIA 2005 (which can render income taxable on someone who is neither the legal nor beneficial owner). In these sorts of cases, data matching is very difficult, if not impossible. Complexities with UK and Scottish partnerships were discussed in paragraph 5.6.

9.7. *Provide data which is sufficiently split between source and periods*

9.8. A pre-requisite of pre-population is that information is split by source. There should be sufficient information that enables a taxpayer (and their agent) to match the data to their own information (for example, bank name/company name, account number/shareholding, date received and period to which the information relates). If there is no breakdown of information provided, pre-population could be more onerous than the taxpayer inputting the data themselves and undermine its objective.

9.9. Without a detailed breakdown of dividend and other investment income in particular, it is possible that the pre-population may not result in a time and cost savings for taxpayers and agents, although we recognise that time efficiencies are not the only driver of pre-population of dividend income. Given the variation in how information on unquoted dividends is collated, and the complexities of reconciling dividend income with corporate year end reporting, it is likely that many will still undertake some form of independent verification of the amounts.

9.10. *Provide the functionality to over-ride pre-populated figures*

9.11. It should be possible, and easy, for the taxpayer to override any pre-populated figure without having to engage with HMRC or third-party providers. It must be within the taxpayer's control to amend an incorrect pre-populated figure themselves, with HMRC's systems able to detect when this has been done so that they can follow up with the taxpayer as necessary. A taxpayer should never have to revert to the third-party data provider to correct a figure that has been sent to HMRC. This would be a far too impractical, time consuming and costly exercise for both the taxpayer and the third-party data provider.

9.12. There are currently several pre-populated figures which, from our members' experience, appear to be treated as fact by HMRC even where incorrect. Examples include Class 2 NIC (eg wrong number of weeks because HMRC do not have a record of the date of cessation of the business); changing Scottish taxpayer status with UK taxpayer status or vice versa; and tax collected via PAYE codes of other years (glitches have been seen where people are moving in and out of SA). In these cases, a taxpayer can submit a tax return which shows the correct tax liability but if the pre-populated data conflicts, HMRC may issue a 'correction' for 'obvious errors' under Section 9ZB TMA, but in fact creates an incorrect liability. This can happen despite taxpayer/agent including a 'white space' note on the tax return explaining why the pre-population is incorrect. Taxpayers/agents then need to contact HMRC to reinstate the tax return to the first version submitted. This increases costs for all parties and introducing greater pre-population of data without addressing these types of issue first will create more difficulty and inconvenience for both taxpayers and HMRC.

9.13. Where a taxpayer identifies and corrects discrepancies with pre-populated data, HMRC could require an explanation for any overrides by providing a comment box for the taxpayer to use for that purpose. For example, 'I am holding this account as bare trustee. The beneficial owner is X.' HMRC should not automatically reject an override made by a taxpayer.



- 9.14. HMRC could also explore the future development of online nudges and prompts to help flag to the taxpayer where they (HMRC) have identified that there is a discrepancy in the third-party data they have received and subsequently provide the functionality for the taxpayer to explain an override.
- 9.15. *Ensure that pre-population is an integral step in HMRC's transformation plans*
- 9.16. Pre-population was an area of opportunity identified by HMRC's 10 year strategy, '[Building a trusted, modern tax administration system](#)', published July 2020. As discussed in paragraph 4.1, the OTS report '[Making better use of third party data: a vision for the future](#)' also explored the benefits of extending the use of third-party data, and pre-population, to provide a seamless tax compliance experience and help deliver the Single Customer Account. We believe it is still HMRC's objective to deliver the Single Customer Account and improved collection of data, and pre-population continues to be an important step in that journey.
- 9.17. Taxpayers within the scope of Making Tax Digital for IT (MTD), will be required to use third party software to file their end of year submissions, following the recent announcement that HMRC will not provide its own submission service. Will pre-population be available to MTD taxpayers and if so, what is a realistic plan for delivery? For taxpayers within MTD, we assume HMRC will still be able to pre-populate their own systems in the short term, which will feed into the tax calculation. Is there an interim phase where HMRC can issue a nudge/prompt when submissions do not agree with the pre-populated figures held on HMRC's own systems?
- 9.18. We await a further policy update on whether MTD will be extended to partnerships and companies. A consultation on e-invoicing has recently closed, which discusses the potential introduction of real time reporting. It is unclear at present how this all fits together, and the role that pre-population will play in HMRC's strategy for transformation in the next five to ten years. HMRC's transformation roadmap, due to be published in the coming months, should provide clarity. Without understanding the longer-term vision, there is a risk that projects such as this form a patchwork of reform, without linking up seamlessly and effectively.
- 9.19. *Be implemented effectively over a phased, sensible timeframe*
- 9.20. Pre-population is a digital project with significant complexities. These complexities need to be considered, consulted on and built into the overall realistic roadmap to pre-population. It will undoubtedly require significant upgrades to HMRC's systems to consolidate full and complete data about taxpayers across different taxes in one place.
- 9.21. Pre-population will also require developments within third party software (and their access to/from HMRC), particularly where HMRC do not provide a year-end submission service, as is the case for MTD. The software industry will need clarity on HMRC's plans for pre-population to give them the time to develop functionality.
- 9.22. To instil confidence in pre-population, there should be a strong focus on delivering pre-population effectively and accurately. A phased implementation, resolving issues before wider roll-out, would be preferred. There is a significant difference between pre-population of bank interest and all forms of dividend income; the latter is likely to be much more complex. Errors in pre-population will drive contact to HMRC customer services and increase the need for HMRC to engage in compliance/checking activity.

- 9.23. The CIOT and the Association of Tax Technicians have previously published seven 'Principles of Tax Digitalisation'<sup>2</sup>, which we believe should be used as a benchmark against which digital projects should be delivered. If HMRC are to focus on pre-population through their own software and services, we believe that they should do so in accordance with agreed minimum standards<sup>3</sup>. The CIOT has previously shared these minimum standards with HMRC.
- 9.24. As with any potential programme of digital change, a cost/benefit analysis should be undertaken prior to proceeding with implementation. If pre-population of dividend and other investment income results in additional reporting or system development, this cost needs to be weighed against the 'benefits' gained from improving tax compliance and reducing error. This may result in HMRC needing to give careful consideration as to how frequently they receive data. If data is only required to feed annual returns, perhaps HMRC could set an annual reporting deadline initially.
- 9.25. Care should be taken around the messaging of the benefits of current steps to extend the use of third-party data – this is a step towards a longer-term plan to move to a Single Customer Account and pre-population, rather than delivering full pre-population at this stage.

## **10. Acknowledgement of submission**

- 10.1. We would be grateful if you could acknowledge safe receipt of this submission and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

21 May 2025

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<sup>2</sup> <https://www.tax.org.uk/ciot-and-att-principles-of-tax-digitalisation>

<sup>3</sup> <https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/71d4b116-9834-4f53-9c8a-b7dec4740d45/230907%20Minimum%20standards%20for%20the%20introduction%20of%20new%20HMRC%20systems%20FINAL.pdf>