



HM Revenue  
& Customs

# Making Tax Digital: Transforming the tax system through the better use of information

**Summary of responses**

31 January 2017

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**On request this document can be produced in Welsh and alternate formats including large print, audio and Braille format**

# 1. Introduction

1.1 On 14 December 2015, HM Revenue and Customs (HMRC) published the [Making Tax Digital roadmap](#) which sets out how we will transform the tax system so that it is more effective, more efficient and easier for customers. All individuals and small businesses will have access to digital tax accounts, with some of the information HMRC needs already automatically uploaded to them.

1.2 Making Tax Digital (MTD) will be introduced in phases: April 2018 for Income Tax and National Insurance obligations; April 2019 for VAT obligations; and April 2020 for Corporation Tax obligations

1.3 There is some design and development to complete before 2020 and it is important for us to do this hand in hand with our customers and those impacted by these changes, to hear their views and concerns and to work with them to understand how we can make these changes work for everyone. We want to design tax administration around the people it affects and we welcome your input on how we can best achieve that. To this end we launched a package of six consultations in August 2016. This document responds to one of these.

1.4 This consultation has focused on how **more effective use of third party information** can contribute to the transformation of the tax system.

1.5 Third party information, in this context, means information provided by an organisation, which customers would otherwise need to report to HMRC. Employers, banks, building societies, pension providers and other government departments are all examples of current third party information providers.

1.6 Information is key to effective tax administration – currently, under Self-Assessment (SA), over 10 million individual customers fill in a tax return to tell HMRC about all their circumstances and income. More effective use of third party information will radically reduce the reporting burden on customers.

1.7 The main changes will be that:

- customers will never have to tell HMRC information it already has.
- HMRC will use third party information it already collects more effectively to reduce under- and over-payments that can be a source of frustration and confusion for customers.
- HMRC will enable customers to report more information about their income digitally through their digital tax account, in closer to real time, rather than through an annual tax return.
- HMRC will use third party information, information provided by customers through software, and information provided by customers directly into their digital tax accounts, to calculate tax due.
- digital tax accounts will give customers a single, personalised view of their tax position across their liabilities and entitlements, making it much easier for customers, and their tax agent if they have one, to see and understand their overall tax position. They will show a complete and up-to-date picture of what will be due when, and what action, if any, customers need to take.
- customers will be offered a range of modern payment options, including the option to 'pay as you go', through their digital tax accounts.
- over time, HMRC will look to extend the range of third party information providers where this reduces the reporting burden on customers.

1.8 There were two parts to this consultation: views on our plans for the next two years, and our future ambition for the use of third party information.

1.9 HMRC received 87 written responses that directly answered questions posed in the consultation. The list of these respondents, including those who provided overall comments on the consultation, can be found in Appendix A. These respondents were split across a number of agents, representative bodies, individual customers and software developers. The majority of responses came from agents and 11 responses were from individuals.

1.10 In addition, the questions posed in the consultation document were discussed at stakeholder events and face-to-face meetings up and down the country, and there was an online survey covering all six consultation documents. The online survey was conducted in parallel to this consultation. Questions 1 and 13 from the Better Use of Information consultation were asked in the online survey and yielded 538 responses each. The comments from our Dialogue session ([click here](#)) have also been incorporated into this response.

## Responses to the questions posed in the consultation document

1.11 The following chapters set out the questions asked in the consultation and provide detail on the responses received. It follows the order of the consultation document. Some responses were not specifically attributed to any particular question so we have grouped the responses under the most relevant question.

## 2. Using current third party information better

2.1 This chapter sets out the information currently held by HMRC in order to administer the effective collection of taxes, and our strategy for making better use of this information over the next two years in order to provide a more transparent service for customers that reduces end of year under- and over-payments.

2.2 In 2017, we will start to use PAYE information during the tax year to calculate whether the right tax is being paid. In the short term customers will still get paper outputs directing them to their account. In future customers will be prompted to check their digital tax account. HMRC will provide a clear explanation of the steps we have taken to make sure that no under- or over-payments accrue. This will make sure that the customer is on track to pay the right amount of tax and National Insurance contributions for the tax year. By working smarter – using PAYE information to allocate allowances during the year – customers will only pay what they owe with no need to contact HMRC.

2.3 Where information suggests that someone is not getting the full benefit of their tax allowances and reliefs, HMRC will automatically instruct their employers' payrolls to make a re-allocation that will prevent an under- or over-payment accruing at the end of the tax year. The adjustments made will be explained clearly in the digital tax account. This will be of particular benefit for customers who have seasonal work or with multiple PAYE income sources, especially if they continually move between the basic, higher or additional rates of Income Tax. We estimate that over six million customers will benefit from the reduction in

under- and over-payments from April 2017 onwards. However, these changes have the potential to benefit any of the 40 million customers who currently pay some or all of their tax liabilities via PAYE, whenever they experience a change in their income or tax allowances.

2.4 Tax codes that are sent to employers will flow automatically into their computer systems, so any increase in the volume of notices (known as P6 notices) issued to employers should not cause added administrative tasks for them. HMRC recognises that more frequent updates to PAYE could impact employers due to an increase in employee queries, however we are designing the digital tax accounts to mitigate this effect and we will be engaging with employers to gain further insight. Customers will be presented with a clear, meaningful picture in their digital tax account of how their tax is calculated and how it is being collected, rather than the current mix of letters and numbers that make up a tax code that customers often do not understand.

2.5 In the 2016/17 tax year, HMRC has continued to develop and test the design for making better use of bank and building society (BBSI) data we receive. We are doing this by placing BBSI deductions in the tax codes of a selection of customers, when interest earnings exceed the personal savings allowance. We are managing this process in a test and learn environment, which will enable us to monitor and analyse results, so that it can inform our future design for making better use of BBSI data for all customers.

2.6 We invited views on how best we can keep individual customers informed about, and help them understand, their up-to-date tax position throughout the year.

**Question 1: Where events during the year result in a change to a customer's tax projection, what is the appropriate format and regularity of notification that HMRC should send to employers and customers?**

2.7 Including responses to the question in the online survey, there were 868 responses to this question. 131 responses regarded email as the appropriate format of notification that HMRC should send to employers and customers. This was the majority option, with 84 responses expressing a preference for notification by post.

2.8 Responses in this section also covered:

- Secure messages and texts
- Online/Digital messaging system
- Keeping the current notification system

2.9 Respondents suggested that the customer should be provided with a list of options to choose from, deciding what format would be most suitable for them. Whilst there were no major concerns on the format, the majority of respondents were clear that the chosen medium must be secure in order to enhance data protection. The majority of responses also suggested several formats for customers to receive notifications, according to each customer's circumstances.

2.10 136 responses expressed a preference for immediate notification of any changes to their tax projection. 52 responses would prefer to be notified on a monthly basis.

2.11 Respondents raised concerns about more frequent reporting/notification of a customer's tax projection. For example, some respondents felt that a monthly notification may be disproportionately skewed by one-off interest payments received by the customer,

and care would be needed to ensure that one-off payments are not extrapolated to incorrect results in tax calculations.

## Government Response

2.12 HMRC recognises the importance of keeping customers informed of their tax affairs in a timely and efficient manner. In the short term customers will continue to receive written notifications, but our future plans are that customers will receive notifications through their digital tax accounts of changes made to their tax records. As our digital service develops we will be encouraging individual taxpayers to opt for digital notification via secure messaging. This will allow customers instant notification of changes. We will continue working with customers to ensure that notifications are suited to their needs and that data protection standards used by HMRC are robust. HMRC will continue to comply with the relevant data protection legislation.

### Question 2: Have you any suggestions for how we present third party information in your digital tax account in a way that will make it easier for you to understand your tax?

2.13 The majority of responses would like third party information to be presented in a clear, simple manner, using a simple layout and inclusive language. The same number would like a fully itemised presentation of third party information, with details of income sources, investments, allowances, interests and tax codes clearly displayed. 23 responses were clear that the source of third party information should be shown in the digital tax account.

2.14 There was some support for a simple first page showing a total for each source or type of income with the ability to get a detailed breakdown for each source. Some respondents felt that all information should be displayed so that the information in the tax account is complete. For example, it should show income from interest and dividends even if no tax is due because of the personal savings allowance. These respondents felt that this was important due to possible interactions with other parts of the tax system, such as offsetting trading losses against total income, which would require complete information on income. Showing all the information would make it easier for the customer to see their full tax position.

2.15 Responses in this section also covered:

- Dates information was received
- Third Party Information Account split (Sole/Joint)
- Use of different text colours for different data sources
- Contact details for the third party information provider

## Government Response

2.16 HMRC is committed to transparency relating to third party information. We agree that information will need to be clearly displayed in tax accounts and that customers should be able to easily identify the source of any third party information. It will be vital for customers to see the detail of any third party information so that they can understand how it affects their tax position.

## 3. Information standards and security

3.1 This chapter explained how HMRC will use information that we currently hold to achieve the aims set out in Chapter 2, describing the safeguards on the use of this information and the principles for resolving customer queries about the information we hold. We invited views on those safeguards and on proposed processes for dealing with customer queries.

3.2 We explained that we will continually review and improve our capability to match information. We will only use information to calculate tax where we are confident that we have the right information for the right customer. Our data standards (see Chapter 4) will specify the requirements for data entry that must be followed to enable robust matching to the correct customer. We will not keep third party information for longer than is necessary to do so for the purposes of our functions.

**Question 3. If you are concerned over privacy impacts of HMRC's plans for improving how we use third party information we already receive, do you have any suggestions for how these concerns could be resolved?**

3.3 43 responses expressed no opinion on this question, and some had no concerns at all. There was a commonly held view that security of data is paramount and that HMRC should do all it can to maintain that security. Robust and secure data transfer methods were highlighted as being important. There were several references to recent cyber-attacks on various companies and how these emphasise the need for good security systems. There were a few concerns that the increase in data within HMRC would make the department “a prime target for attack.”

3.4 One response suggested that formal guidance should be provided on what evidence software vendors need to obtain and retain to demonstrate compliance with [‘privacy by design’ principles](#) and/or that privacy impact assessments have been carried out.

3.5 Some responses expressed concern about data being allocated to the wrong customer, resulting in wrongful disclosure, and although they commented that HMRC took wrongful disclosure seriously, they did not believe that this risk could be completely mitigated.

3.6 Many responses stated there was a need for HMRC to be explicit about where the information had come from and provide enough detail to allow customers to check that information.

### Government Response

3.7 HMRC will have significant safeguards in place to identify security weaknesses and mitigate the risk of data breaches. We will work with third party information providers to ensure that appropriate levels of security are inherent in data transfer protocols. HMRC will comply with the relevant data protection legislation.

3.8 Ongoing work within HMRC on improving data standards and data quality, together with an improved capability to match third party information to the correct customer will mitigate the risk of unlawful disclosure of information. We will only use third party information where we are confident we have matched it to the correct person. In the event that the information were incorrectly matched, the information shown on the account would not allow identification of the other person. For example, if a customer saw information for a specified bank account and knew they did not hold an account with that bank, they would only see the



name of the bank, the sort code, and a partial account number; the name of the account or the account holder would not be shown.

#### Question 4: If a third party information provider is aware of how the ownership of a joint asset is split, do you think the third party provider should inform HMRC?

3.9 Around 41% of responses believed that the third party information provider should inform HMRC of any known split of a joint asset. This is the opinion supported by the majority, with other responses covering a number of suggestions. Several responses said that the customer should be able to amend that split if it was incorrect. There was some support for the split being notified by the third party as this will reduce the input required from taxpayers.

3.10 Amongst those who believed that the customer should inform HMRC about how a joint asset is split there was a belief that the third party information provider would not know what the split was, or that their information on the split might be out of date. There were also concerns about independent taxation and unlawful disclosure of information. Some respondents felt that asking the provider to report a split would increase the burden on the third party information provider if it was not information that was currently submitted to HMRC.

#### Government Response

3.11 Where a third party information provider knows how a joint asset is split, they will not be required to tell HMRC what that split is, but they will be able to give us that information. However, if the third party does not have that information, and HMRC has simply split the asset equally between the number of owners and this is not correct, the customer will have the facility to inform HMRC via their digital tax account. Customers will also be able to amend the information if the third party information is out of date. Once HMRC has been informed of the split for a specific asset, that information, or percentage split, will stay on the customer's tax account until HMRC has been notified of any change. If the split remains the same, the customer will not have to enter the split information each time the income amount is updated.

#### Question 5: Information providers will want to keep their customers fully informed about the information they provide to HMRC (and have a responsibility to do so under the Data Protection Act 1998). Do you think there should be a standard approach, or should information providers design the best approach to meet the needs of their particular business and customers?

3.12 31% of responses to this question agreed that there should be a standard approach, but almost as many had no opinion on it. A few thought that the third party information provider should design the approach and even fewer thought that HMRC should provide guidance.

3.13 Those who supported a standard approach said it would make for an easier process and be in line with HMRC's commitment to simplifying tax.

3.14 Several responses included comments here on the importance of the information submitted to HMRC being notified to the customer at the same time and in the same format.



## Government Response

3.15 Where HMRC needs third party information to display in the customer's tax account, the third party provider will be required to tell the customer that they have submitted that information to us. We will work with providers on the detail of this, with the aim of making it easy for the customer to match the information shown on their digital account with that notified to them by the provider.

3.16 The standard approach will be that the customer should be notified at the same time as, or in advance of, the information for the tax account being submitted to HMRC. However, the format of the notification may depend on the provider and the type of information being submitted to HMRC.

### Question 6: Do you have any preferences for how you would like to be kept informed by third party information providers?

3.17 There was no consensus in the responses to this question. 49 responses gave no opinion. The preferred method of notification was by post, while almost as many opted for secure email and some said they would continue to use their current method.

3.18 Two responses expressed concern about how customers would continue to be informed if they had moved to a different provider, or closed an account.

3.19 There was some general support for the principle that the customer should be informed by the third party each time information was submitted by them to HMRC. There was also general agreement that the information should be provided in the same format to the customer and HMRC so that it was easy to recognise in the digital account.

3.20 The general view was that how the notification was made should be agreed between the third party and the customer and should not increase the administrative burden for either.

## Government Response

3.21 HMRC supports the principle that the third party information provider should notify the customer at the time it submits information to us for use in the digital tax account. There will need to be more than one method for doing this, to suit customer demand and need. Third party information providers will decide what method they will use to inform their customers that they have given information to HMRC in a way that meets their legal requirements and business needs. HMRC will work with third party information providers to ensure that customers are offered a number of options around how they can be kept informed i.e. email, secure message, text.

### Question 7: Do you think there are any additional safeguards we should consider in relation to the protection and use of third party information by HMRC?

3.22 Again, the largest number of responses expressed no opinion in relation to this question, some saying that this was due to their lack of IT expertise. Some responses suggested there should be some form of HMRC Charter or guidelines which would include reasons the data was needed, compensation for security breaches, and the data standards communicated.

3.23 One response stated that they had no concerns as HMRC has been processing third party digital information for many years and they were satisfied with the safeguards already in place.

3.24 Responses in this section also covered:

- HMRC checking the accuracy of data
- The ability for the customer to correct errors
- A consistent way of dealing with enquiries
- Security of data

## Government Response

3.25 HMRC takes data security extremely seriously and will continue to use the relevant data protection legislation to shape how we safeguard customer information. We know that data security needs to be strong and we are committed to implementing an approach that gives customers confidence in the security of their data and that has no negative impact on their ability to meet their tax obligations.

3.26 HMRC has a dedicated cyber security command centre to assess and counter risks to information security. Data will be sent to HMRC via a secured system that will comply with strict security protocols. HMRC will work closely with software suppliers to provide secure and effective products that can be used by customers and third party providers.

3.27 The Government works closely with industry to promote the need for good cyber security practices and supports a number of standards and standards organisations where standards have been generated which provide good levels of security.

3.28 We also test the Application Programming Interface (API) Platform, and independently each of the APIs that is launched on it, to ensure that they do not suffer from known vulnerabilities. The API Platform sits on infrastructure which has also been penetration tested, and risk assessed. We work closely with risk assessors and security advisors within HMRC to ensure that all changes we do benefit from an independent, security-focused perspective.

3.29 To improve security for taxpayers, we only grant applications access to those things the taxpayer explicitly agrees to - giving people choice about what they are comfortable letting a particular application access or do on their behalf. To achieve this, we use an industry standard specification<sup>1</sup> which captures best security practices. In order to ensure that taxpayer information is intercepted, we mandate the use of HTTPS (which encrypts requests).

3.30 We understand that we need to ensure customer confidence in HMRC's ability to protect their personal information.

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<sup>1</sup> The OAuth 2.0 authorization framework enables a third-party application to obtain limited access to an HTTP service, either on behalf of a resource owner by orchestrating an approval interaction between the resource owner and the HTTP service, or by allowing the third-party application to obtain access on its own behalf.

## Question 8: Do you agree with the principles we have set out for how information queries should be resolved? What are your expectations for how this would work in practice?

3.31 36 responses did not agree with the principles set out in the consultation document while 19 did agree. Some of these responses stated that they did not expect there to be a significant proportion of errors. The remaining responses had no opinion or commented on potential difficulties without stating whether or not they agreed with the principles.

3.32 There was a general perception that dealing with the third party information providers would be time-consuming and difficult for customers, meaning that resolving queries would take too long and increase the burden on them. There was also concern that HMRC lacked the resources to deal with queries.

3.33 Some made the argument that as customers will remain under an obligation to ensure that the information in their digital tax account is complete and correct, they should be able to change or overwrite any incorrect information displayed, as they do under current self-assessment rules.

3.34 However, even amongst the negative responses, there was recognition that in certain circumstances it would be appropriate for the customer to approach the third party to get the information corrected. Some responses stated that there should be a requirement for third parties to provide the information to the customer at the same time as to HMRC and that there should be statutory timeframes for dealing with queries.

3.35 There was a general consensus that clear procedures for resolving queries would need to be in place. The need for a process for customers to be able to show they were querying an amount was also noted.

3.36 There was some recognition that as “the number of taxpayers actually paying tax on interest received (the first item of third party information to be incorporated in customers’ digital tax accounts) will be small as a result of the changes to the taxation of savings income in 2016”, HMRC should remain open-minded about query resolution. Testing the process and establishing how errors arise will provide more insight into whether this is likely to be a widespread problem or not.

3.37 It is worth noting that the vast majority of responses received came from agents or accountants or associations for those professions, or from other representative bodies. There were very few responses from individuals.

### Government Response

3.38 We have been working with third party information providers and individual customers on co-designing the query process. HMRC will continue to use customer insight and engage with all stakeholders to ensure that the query process will be clear. There will be capability for customers to engage with HMRC digitally to resolve some queries.

3.39 We will proactively work with third party information providers to ensure that information is submitted in an agreed format, is complete and meets the required quality standard. We are also improving our ability to match information to customer records and will only use third party information when we are confident that we have correctly matched it to the customer. This will help ensure that the information sent to HMRC successfully links to the right customer accounts, and will help avoid errors and disputes.

3.40 Where a customer identifies a discrepancy, we will remove the disputed amount from any calculation of tax due until such time as the query is resolved. If we reach the end of the tax year and a query has not been resolved, we will make an estimated assessment using the information we believe to be correct, on the understanding that this assessment may change upon resolution of the query.

3.41 HMRC will not alter information received from a third party information provider. The amounts shown on the digital tax account will be the same as the amounts submitted by, for example, the bank or building society. Where the customer agrees with the source of the income, for example interest on a particular bank account, but is querying the amount of income, such as the exact amount of interest earned, the customer will be advised to contact the third party provider directly to resolve the query. If the income figure(s) is incorrect, the third party provider will provide revised information to HMRC.

3.42 However, there may be occasions where it will be appropriate for the customer to contact HMRC to resolve the issue. Customers will be able to approach HMRC through their digital tax account (or an alternative route where necessary) to help resolve queries where they are unable to deal directly with the third party information provider or are unable to resolve the query with them. This may be where:

- the query is not about information supplied but about the source of the income and its relationship to that customer.
- the information provider is no longer available, for example they have ceased trading.
- there are complex scenarios and complaints occur that require HMRC intervention.

3.43 The principle of not allowing customers to overwrite information provided by third parties is similar to the current principles for PAYE – if a customer has a query over their pay, HMRC would not change the information but would advise the customer to go back to their employer, the third party, to resolve the query and have the correct information re-submitted.

3.44 Part of Making Tax Digital is a move away from Self-Assessment principles where customers report their information themselves and can therefore change that information to a system where some information is already provided by a third party. That information then belongs to the third party.

3.45 HMRC will ensure that the query resolution process is clear and that guidance and information for customers is easily available.

## 4. Current information providers

4.1 This chapter described what changes current information providers will need to make by April 2018 and outlined the HMRC data standards. We invited views from information providers about how we can best align our requirements with their own business needs and practices.

**Question 9: How can we best align HMRC's third party information requirements with information provider's circumstances? For example, with other standards information providers need to meet; other regulatory change; internal business processes and requirements.**

4.2 Over half the responses expressed no opinion. Of those who did have an opinion, 12 felt that HMRC must engage with the third party provider in order to explore the ways in which alignment of information requirements can be made between HMRC and the third party information provider.

4.3 Two responses suggested that HMRC must align their third party information provider requirements with US FATCA (Foreign Account Tax Compliance Act) and CRS/DAC (Common Reporting Standard/EU Directive on Administrative Co-operation) regulations to ensure that duplication of data requests is reduced.

4.4 One response suggested that inputs of information into the digital tax account should be derived from the existing Bank and Building Society Interest Return and ISA (Individual Savings Account) Return, processes currently used by banks to provide details concerning customer accounts.

### Government Response

4.5 HMRC will work with third party providers to ensure that wherever possible our requirements align with their business processes. We have said that we will work to ensure that our data standards do not place an onerous burden on information providers.

4.6 HMRC will not require the submission of information before we are ready to use it, and where appropriate will not ask for information to populate digital tax accounts to be submitted more frequently than is necessary to update these accounts. This may however mean that some third party information providers will be required to submit information more than once a year to ensure customers' tax accounts are up to date and help to give a true picture of their tax position.

**Question 10: If you currently provide information to HMRC at year-end what would be the impact of moving to a more frequent in-year process, assuming that HMRC is able to align to your circumstances as described above?**

4.7 The majority of responses expressed no opinion. This is a reflection of the respondents' status as agents, rather than third party information providers, to whom this question was directed.

4.8 Nine of the third party information providers who did respond were clear that a more frequent in-year process would increase the costs to their business. Responses also mentioned concerns that the requirement for software and technology upgrades would be an impact on their businesses. Changes to the design and development of new reporting formats and a change to the business processes for the generation and transmission of reports would heavily impact on business costs and resources.

4.9 One response queried the details of the proposed changes, stating that it would be difficult to assess the impact these changes would have on a business without a knowledge of the format for data that HMRC required.

### Government Response

4.10 We acknowledge that there will be some initial administrative impacts on third party information providers. We are working with existing third party information providers to strike an appropriate balance between the benefits to customers and any potential burdens created to businesses.

4.11 HMRC is working with third party information providers to draw out detailed explanations of data standards and technical specifications to enable third party information providers to meet HMRC data standards with minimal impacts. HMRC will conduct impact assessments which will help inform third party providers about the changes required and we will work together to develop ways to minimise these.

**Question 11: We have given you a high level introduction to the standards necessary to make the exchange of data efficient and dependable. Do third party providers foresee any specific challenges in adopting standards along these lines?**

4.12 The majority of responses expressed no opinion. Of the 29 that did provide a positive response, opinions were split relatively equally across several anticipated challenges:

- time constraints for third party information providers to make changes to adopt the standards set by HMRC
- costs incurred by the adoption of minimum data standards
- software design to meet the standards: costs and resource impact

4.13 Detailed responses recognised it was critical that third party information providers meeting the standards set by HMRC. One respondent stated that the data standards already exist under the current regime, and the current specifications such as bank and building society interest reporting, ISA, pension and merchant acquirer reporting use the same format. A number of those who did respond queried the need to change to HMRC data standards.

## Government Response

4.14 HMRC data standards are currently being developed and the technical specifications that align with these will be shared with third party providers when appropriate. We will ensure that the standards and specifications are fit for implementation in proposed timelines.

4.15 Since September 2016, we have been working with industry experts and third parties to ensure that HMRC standards are well-suited for their designated purpose and achievable.

4.16 HMRC is committed to continue working with industry experts and third party information providers to ensure that there are minimal burdens or impacts to third party information providers in meeting the standards set.

## 5. Our future ambition

5.1 This chapter explored HMRC's future ambition for the use of third party information from 2018 onwards, which will enable us to reduce the burden of reporting third party information. We invited views on additional information that it would be most useful for us to collect directly from third parties.

**Question 12: What opportunities do current and potential information providers and software providers see for a stronger partnership with HMRC to enhance our customer experience?**

5.2 Very few responses expressed an opinion on this question. Four responses stated that HMRC must collaborate with agents and third party information providers to build software architecture and APIs. This response is positive and will allow HMRC to continue working with third party information providers throughout the MTD design process.



5.3 Two responses suggested the use of MTD-Agent Online changes, in order to give agents greater visibility of their customer information.

### Government Response

5.4 HMRC is currently working with industry experts and software providers to ensure the technical tools are fit for purpose. We are working with software developers and other service providers to develop software that will provide a 'one stop' service for customers from 2018 onwards.

### Question 13: What new sources of third party information would most enhance the customer experience and best contribute to the aim of ending the tax return for all?

5.5 The majority of responses to both the consultation document and the online survey expressed no opinion (288 responses). 74 responses would like to see dividend data in the digital tax accounts, and 56 responses consider the addition of pension scheme data to the digital tax account would be an enhancement to the customer experience.

5.6 Responses in this section also covered:

- Lettings and rental income data
- PAYE data
- Investment income data
- Gift Aid donations data
- Chargeable event certificates data
- Foreign income data
- Trust income data
- P11D data
- Department for Work and Pensions data

### Government Response

5.7 We will use these responses and further analysis to assess what future sources of information could be used. As stated in the consultation document, HMRC will work with third party information providers to help mitigate any increase in their administrative burden. HMRC will look to use third party information that will ease the burden on customers and make it easier for them to get their tax right.

5.8 We will adopt a gradual phased approach to using further sources of third party information and seek to make better use of information we already hold before seeking out new sources. As stated in the consultation document, we will engage and work with providers before using new sources of third party information.

### Question 14: How can we best open up discussions and begin to work with new potential information providers who are not currently providing information to HMRC on a regular basis?

5.9 The majority of those that responded to this question suggested the use of consultations and discussions involving professional bodies/associations, as well as potential third party information providers.

5.10 A few responses would like HMRC to provide guidance on the potential benefits for third party providers in providing customer information. These respondents would also like HMRC to indicate what support will be offered to implement the new systems with minimal impact on a third party information provider's business.



## Government Response

5.11 HMRC is committed to conducting further consultations before adding new third party information providers to the current list of providers for information used in the digital tax account. We recognise the benefits of working with stakeholders and representative bodies to make sure we get things right and improve customer experiences when dealing with HMRC. We also acknowledge that many responses to this consultation referred to a lack of tax understanding among some customers and we recognise that HMRC will need to ensure a comprehensive programme of communication and guidance is in place.

## 6. Next Steps

6.1 HMRC will continue to work with customers and third party information providers to ensure we can make better use of information. We are drawing up a programme of stakeholder engagement so that we can refine our processes and minimise the burden on customers and providers.

## Appendix A – List of Respondents

Association of Chartered Certified Accountants (ACCA)  
Accountant-Macclesfield  
Albert Goodman LLP  
Ander Tax Limited  
Association of British Insurers (ABI)  
AW Tax  
Baldwins Accountants  
British Bankers Association  
BDO Accountants  
BHP Chartered Accountants  
Blackadders LLP  
Brian Tilbury & Co  
BullockWoodburn Limited  
Buzzacott  
Charter Committee  
Chartered Institute of Taxation (CIOT)  
CKLG Limited  
CLA  
Connaught & Co/Steve Hargreaves  
Crowe Clark Whitehill LLP  
Crunch  
Davies Tracey  
Deloitte LLP  
Digital Advisory Group  
Disability Dynamics  
Duntop & Toplis  
Dyke Ruscoe & Hayes Limited  
Eaves and Co  
Equity  
Ernst & Young LLP  
Fenn Cox & Partners  
FreeAgent  
Garbetts Limited  
Greaves West & Ayre  
Harold Smith  
Hiller Hopkins LLP  
HPH Chartered Accountants  
Hummingbird  
ICAEW  
ICPA  
Information Commissioners Office (ICO)  
Institute of Chartered Accountants of Scotland ('ICAS')  
Intuit  
Investment & Life Assurance Group  
Investment Association  
Iris Software Group  
Johnston Carmichael  
Kingston Smith LLP  
KPMG  
Kreston Reeves  
Landtax LLP  
Legal and General Group

LIÿr James  
Low Incomes Tax Reform Group of the Chartered Institute of Taxation LITRG  
Lymm Tax Services  
MHA MacIntyre Hudson  
Ministry of Defence  
Moore and Smalley LLP  
Morris Owen  
NTL World  
PA Hull  
Patricia J Arnold & Co Ltd  
Plummer Parsons  
Price Bailey LLP  
Princecroft Willis Limited  
PWC  
Rayner Essex LLP  
Ross Martin  
RSM UK Tax and Accounting Limited  
Saffery Champness  
Sagars Accountants  
Sage  
Saint & Co  
Scottish Land & Estates  
CA Accounting  
Smith & Williamson LLP  
Sopra Banking Software  
TaxAid  
The Chartered Institute of Taxation  
The Nottingham  
The Phoenix Group  
Virgin Money  
Walter Wright  
Wealth Management Association (WMA)  
Whitefield Tax Limited  
Wolters Kluwer  
Wright Vigar