

December 2020

Third Party Data Reporting Review Scoping Document

Introduction

The government and HMRC recently set out its ten-year Tax Administration Strategy¹ which states that one of the opportunities that would help to modernise tax administration would be:

‘smarter use of data on taxpayers and their activities – pre-population of tax returns, including with data from third-parties – would reduce the need for taxpayers and agents to submit additional information that HMRC either already holds or could verify itself’

This review will look at the principles that should apply in relation to third-party data and taxpayers generally. It will also consider sources of third-party data that it could be helpful to individuals for HMRC to receive, and how this can best be embedded into the next stage of HMRC’s work on the single digital account and system design more generally.

The review will consider the key considerations, impacts and priorities that HMRC should focus on, any stages in which work might best proceed, and what realistic timescales would be.

The OTS has previously considered the potential for third party data in relation to self-employment and rental income in its Tax Reporting and Payments review². This review will focus on personal tax data.

The OTS will publish a call for evidence shortly and intends to publish a report outlining its findings in Summer 2021.

Focus of review

This review will look at a range of possible sources of third-party data that it could be helpful to individuals for HMRC to receive and include within the new single online account or pre-populate in tax returns, as well as considering the principles that should apply across the provision of third party data in relation to taxpayers generally.

The review will consider the key considerations, impacts and priorities that HMRC should focus on, any stages in which work might best proceed, and what realistic timescales would be.

Possible sources of third-party data to be considered in the review include:

¹ <https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system>

² <https://www.gov.uk/government/publications/ots-tax-reporting-and-payment-arrangements-review>

- Bank and building society interest (building on the information already available)
- Dividends from UK companies and distributions from authorised unit trusts
- Distributions from UK and overseas open-ended investment companies
- Pension contributions
- Gift aid payments to charities
- Data from investment and wealth managers including information about chargeable gains, excess reportable income, interest, dividends and equalisation payments
- Insurance bond chargeable events
- Royalties

The OTS will also consider data already held by HMRC, and data that could be provided by other government departments, that it would be useful for taxpayers to be included within the single online account or prepopulated into tax returns.

This review will consider an alternative way for HMRC to receive information that is already provided in some form either by individuals or third parties, rather than considering the provision of new types of information.

Some of this data is already provided to HMRC on a regular basis, for example details of bank and building society interest. However, they are currently mainly used internally within HMRC for compliance purposes, rather than prepopulated into taxpayers returns. There can be issues with the quality of the data provided and the lack of any unique taxpayer identifier that leads to problems matching it to the appropriate taxpayer.

The review will explore the extent to which third parties have such data at present and any additional information that third parties would need to be able to provide data to HMRC in an effective manner (such as National Insurance numbers, or other taxpayer identification information). It will consider the legal framework for data collection and provision, including error correction, and how this fits with the UK's international exchange of information obligations.

Other specific considerations include:

- how to ensure that taxpayers are safeguarded, including ensuring taxpayers have an effective way to query the data included within their online account or return, where they believe it is inaccurate
- in what ways, and the extent to which, the provision of further third party data to HMRC could improve the taxpayer experience
- recognise that data collection and provision to HMRC would add a burden to third parties and consider how best to keep this to acceptable levels
- giving consideration to taxpayer confidentiality and privacy and the importance of engendering public trust, as explored in the OTS Technology Review ³
- the information the third party would need to hold or collect (such as National Insurance numbers or other taxpayer identification information) to enable taxpayer data to be reliably identified with the correct tax account or return
- the format in which data would need to be provided to HMRC, including the implementation of a standard format for information reporting

- to what extent HMRC already hold the powers to request third party data be submitted, and whether these would need to be extended
- international issues, including in relation to data held abroad

Further guidance for the review

In carrying out its review, the OTS will

- consider the likely implications of recommendations on the Exchequer, the tax gap and compliance
- take account of GDPR and relevant data protection laws
- engage widely with stakeholders
- be mindful of the role and contribution of taxation agents
- take account of the extent to which HMRC having better data could assist them in supporting other Government Departments (such as DWP) in delivering their services
- take account of relevant international experience
- liaise with the Administrative Burdens Advisory Board.