

January 2021

## Third Party Data Reporting Review - Call for Evidence

### Introduction

In this review, the OTS is considering whether and in what ways it could be helpful to individuals for different sources of third-party data to be submitted to HMRC on their behalf, exploring any concerns they may have and whether and in what ways these could be overcome, as set out in the scoping document for this review.<sup>1</sup>

The review will look at the potential for third party data reporting to contribute to improving the taxpayer experience, as well as the principles that should apply in relation to third-party data and taxpayers generally.

The government and HMRC have recognised the potential use of third party data to help improve the taxpayer experience in their ten-year Tax Administration Strategy<sup>2</sup> 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’

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

For example, instead of millions of individuals having to provide to HMRC details of potentially taxable income and gains on their investments, the review will consider whether it could instead be uploaded by their investment or wealth management company and reflected in their online tax account or self-assessment return.

In addition, many people who are eligible to claim relief for certain payments, such as higher rate relief for gift aid on charitable donations or pension contributions, do not currently do so. This review will consider whether this information could instead be reported to HMRC on the individual's behalf by a third party and be prepopulated into their return or claimed through the online tax account, and the potential benefits and drawbacks of such an approach.

The sources of data that the OTS is interested in considering are:

- Bank and building society interest (building on the information already available)
- Dividends of 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 is not focusing in this review on the potential for reporting of self-employment or rental income data under HMRC's Making Tax Digital for income tax work. The focus of this review is on personal tax data relating to individuals, rather than any data relating to companies, partnerships etc.

## **How to respond**

In your response to this call for evidence it would be helpful if you could outline the following:

- If you are writing in an individual capacity
- If you are a business owner what is your business activity and what is its size?
- If you are a professional advisor, what type of clients do you usually represent
- If you are responding on behalf of a representative body, please describe the group and its members.

A list of the businesses, professional advisors or representative bodies responding to this call for evidence will be included as an annex in the final report. Individuals who respond will not be named. No comments will be attributed to respondents unless the OTS has received permission to do so.

Please submit your response to this call for evidence by 9 April 2021. Our email address is [ots@ots.gov.uk](mailto:ots@ots.gov.uk).

The OTS is interested in meeting with a wide range of stakeholders to discuss this review, please contact the OTS by 12 March 2021 if you would like to arrange to meet with us.

## **Consultation Questions**

The OTS welcomes responses to all or any of the questions set out below, as well as any general or specific comments on the areas covered by this review. There is no requirement to respond to all the questions; responses focusing on a particular area are equally welcome.

The questions are set out in two sections, the first aimed at individuals and their agents and the second at the third parties that could potentially provide data to HMRC on their customers' behalf.

Any provision and processing of data on behalf of individuals to HMRC by third parties would be subject to relevant legal obligations in tax legislation and data protection regulations, including the General Data Protection Regulation (GDPR).

### **Individuals and Their Agents**

The OTS would welcome the view of both individuals and their agents about the types of data it would be most useful to have in the online tax account or prepopulated in tax returns, as well as any difficulties, benefits or other considerations that the OTS should take into account in this review. While the questions in this section are directed at individuals, the OTS is equally as interested in receiving responses from agents in relation to their clients.

1. What sources of third party data do you currently use in order to complete a return, claim a relief or otherwise engage with HMRC (for example, bank statements)?

2. Are there any areas where the provision of third party data currently creates issues with the accuracy or timeliness of your return, for example due to delays in receiving the data?
3. To what extent do you think that it would be simpler for you if third parties submitted data directly to HMRC (as well as to you)?
4. What would you consider to be the main benefits of third parties providing such data to HMRC on your behalf?
5. What, if any, are your main concerns about third parties providing data to HMRC on your behalf?
6. Is there any information currently held by HMRC or other government departments that it would be useful to have shown in your online tax account or prepopulated in a tax return?
7. Which types of third party would you find it most helpful to be required to provide data to HMRC on your behalf (for example, banks, investment managers etc)?
8. Are there any particular types of third party data that it would be useful - with your approval - to have the option of being submitted to HMRC on your behalf (such as rental income from an agent managing a property for you)?
9. If third parties were to provide data to HMRC on your behalf, what would you want HMRC to do with it to make life easier for you, for example, reflecting it in an online tax account?
10. To facilitate a third party providing HMRC with data in an effective way, you may need to provide them with identification information (National Insurance number). How would you expect to provide this information for example, by letter, phone or an online form? Are there some types of third parties that you would be more comfortable providing this extra information to and what are your reasons for this?
11. What do you think would be the most effective way for you to be able to query the accuracy of the data provided to HMRC by third parties? Are there particular taxpayer safeguards you think should be considered to maintain trust?
12. Do you have any comments on steps HMRC could take to build and maintain trust in the way it handles and uses customer data from third parties?
13. Are you aware of examples of approaches to the use of third party data by other tax authorities that should be considered by HMRC?

### **Potential Third Party Data Providers**

The OTS is additionally seeking the views of those, such as financial institutions, charities, pension providers, and others that could potentially provide HMRC with customer data on their behalf.

14. Does your business provide its customers with tax related data to help them fulfil their tax obligations, and how is this provided? Do you currently have a method for individuals to query the information provided if they believe it is inaccurate?

15. Does your business already provide data on a regular basis to HMRC or to another government department? How is this done and what format does it take? Are there any particular positives or negatives with the current method of data provision? If you ever need to correct the customer information you hold, how do you update an earlier submission to HMRC or other government department?
16. Is your customers' identification and relevant financial data currently held digitally in a database? What is your primary reference for your customers (e.g. National Insurance number)?
17. What do you consider would be the main difficulties of the introduction of data reporting to HMRC? Are there any types of business or charity which would have particular difficulties or disproportionate costs in reporting customer data to HMRC?
18. How long would it take to adapt your systems in order to be able to effectively report to HMRC? What additional administrative costs would there be for your type of business? Is there anything HMRC could do to support delivery?
19. Do you currently usually hold customers National Insurance numbers?
20. If your type of business were required to collect additional data from your customers in order to facilitate reporting, how easy or difficult would this be, and what would be the timescales involved?
21. How often would it best fit with the way your business systems operate to provide HMRC with the relevant data (for example, in real time, monthly, quarterly, annually)?
22. Are there any legal or regulatory issues specific to your sector that could arise if your business were required to report customer data to HMRC?
23. Are there examples of the ways data reporting is carried out in practice that we could learn from (for example, Common Reporting Standard), either positively or negatively, whether within the UK or in other countries?
24. Are you aware of opportunities offered by emerging technology that could support the provision of third party data to HMRC?
25. Do you have any suggestions on what additional legal powers would be necessary in order to facilitate reporting by third parties to HMRC?
26. Is there any data that it could be useful for HMRC to be able to share with your business in order to aid tax compliance among your customers?
27. Are there any international issues specific to your type of business that need to be considered?
28. If reporting of data were to be introduced, would you consider this to be better as a phased approach (for example larger businesses and charities first) or across an entire industry in one go? What are the challenges that would arise with either of these approaches?