The Tax Administration Framework Review: information and data

General Features



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The CIOT, ATT and LITRG have responded to a HMRC consultation looking at opportunities to update HMRC's third-party data gathering powers and their information powers.

The consultation document considers: the use of third-party data by HMRC; pre-population of tax returns; who is responsible for the accuracy of the data; what processes should challenge and resolve discrepancies in the data; and HMRC's 'Unique Customer Record' programme to help assist data-matching. It also covers standardisation of information and data provision by third-party data holders, primarily under FA 2011 Sch 23.

FA 2008 Sch 36 concerns the issue of information notices requiring a taxpayer or third party to provide HMRC with information, data and documents, which allow HMRC to check an individual's tax position. The consultation document considers current challenges that have been identified by HMRC and discusses various

suggestions which they consider might help to improve and update the process.

CIOT’s response

The CIOT supports HMRC making better use of third-party data. As we move towards increased digitalisation of the tax system and the economy in general, a taxpayer should not have to give HMRC information that they already have in their possession if they have received that data from elsewhere. This could be potentially useful in the future for schemes such as Making Tax Digital. It will be important that the data provided to HMRC by third parties is accurate, and any scope for error in either the figures provided or in matching the data to the correct taxpayer is minimised.

In our view, the principle that UK taxpayers are responsible for the overall accuracy of their own tax return(s) should be retained. Clear guidance will need to be provided so the taxpayer knows that they need to check the data, and that they understand how to correct it if it is inaccurate. If there are discrepancies or misallocations, it should be easy for the taxpayer to correct any inaccuracies.

Any changes to HMRC’s data-gathering and information powers should also fulfil the government’s aims of simplifying and modernising the tax system and be directed at specific needs. A more flexible approach may be suitable for their third-party bulk data gathering powers, but we believe a more prescriptive approach is best for their more ad hoc information powers to allow sufficient parliamentary oversight while maintaining safeguards for taxpayers and third parties.

ATT’s response

The ATT recognises that with the increases in digitalisation more data and information can be provided by third parties to HMRC and ultimately pre-populated into a taxpayer’s tax return. We consider that the ultimate responsibility for the completeness and accuracy of the Self-Assessment tax return should remain with the taxpayer. It is important that taxpayers have access to clear, simple and timely processes to challenge and correct errors made by HMRC systems/processes – or indeed by the third party themselves. Whilst supporting ways to assist and accelerate the transfer of third-party data and information to HMRC, we also caution against extending existing legislation into areas where it was not originally intended.

LITRG’s response

The LITRG is broadly supportive of HMRC making more use of third-party data and pre-population, as this has the potential to improve the taxpayer experience with HMRC. While we think the taxpayer should remain responsible for the accuracy of their final tax return, there nevertheless needs to be a review of the balance of responsibilities between the tax authority, the taxpayer and the third-party data provider in the light of greater use of pre-population.

In order for the taxpayer to be in a position whereby they can be responsible for the data populating their tax return, third parties should be obliged to provide a copy of the data that they provide to HMRC to the taxpayer, independently.

It is essential that there are clear, agreed processes for taxpayers to challenge the data that third parties provide to HMRC, the data that HMRC use (if that appears to differ) and if the taxpayer thinks that HMRC have misused the data provided.

We note that it is important that there is public education as to what data HMRC hold about them and collect. In addition, where the data is sensitive, there needs to be consideration as to whether taxpayer consent should be required to allow HMRC to collect it and hold it.

The CIOT's response can be found at: www.tax.org.uk/ref1132

The ATT's response can be found at: www.att.org.uk/ref426

The LITRG's response can be found at: www.litrg.org.uk/ref2786

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