Draft Finance Bill 2025-26: LITRG responses

General Features



21 October 2025

LITRG made four submissions in response to the government consultation on draft Finance Bill 2025-26 legislation. These covered topics as diverse as third-party data, Making Tax Digital, non-compliance in the umbrella company market and tax adviser registration.

The government published its draft Finance Bill 2025-26 in July 2025 for technical consultation. The LITRG team focused on the four sets of clauses that are of most relevance to the low-income and unrepresented taxpayer population.

Three sets of clauses fall under the banner of ‘administration’, while the fourth is an anti-avoidance measure. We provide a summary of our responses, which can all be found on the LITRG website.

Better use of new and improved third-party data

The draft legislation contains measures aimed at improving the reporting of financial account information and card sales data. The objective of the reforms is to ensure that HMRC receive the right data, of the right quality and at the right time to deliver service improvements for taxpayers.

Our brief submission emphasised that while we think that smarter use of third-party data has the potential to improve the taxpayer experience with HMRC, we have some concerns about the draft legislation.

Under the draft provisions, HM Treasury may make regulations requiring data holders to make reasonable efforts to obtain identifying information, such as National Insurance numbers. Although most individuals aged 16 and over who are in work are expected to have a National Insurance number, some eligible individuals do not have one. We understand that they will be expected to apply for a National Insurance number and provide this to financial institutions or card acquiring service providers that they hold an account with. Some individuals are not eligible for a National Insurance number.

We suggest several safeguards, including clear guidance for individuals. We also need clarity as to the position where an individual is not eligible to apply for a National Insurance number. It is essential that this legislation does not result in financial institutions refusing to open accounts for such individuals.

Finally, we think the requirement placed on data holders to provide data that they supply to HMRC directly to the person concerned should be refined. Data holders should be obliged to share the information with taxpayers in a format that they can easily understand and that is consistent across third parties.

Requirement for tax advisers to register with HMRC and meet minimum standards

The draft legislation introduces a requirement for tax advisers who interact with HMRC on behalf of clients to register with HMRC and meet minimum standards from 1 April 2026.

LITRG has previously supported a requirement for agent registration and has also suggested that something like ‘fit and proper’ tests for agents. Currently, there are gaps in HMRC’s knowledge of tax advisers and their behaviour, with inevitable risks

for taxpayers.

We have concerns about certain aspects of the draft legislation, although it does go some way to addressing the issues.

This measure does not tackle agents who act outside of official processes, for example by utilising their clients' Government Gateway accounts to interact with HMRC, rather than having their own agent account. These agents cause LITRG serious concerns, and unfortunately this measure might encourage unscrupulous agents to adopt this approach.

Moreover, this measure as drafted does not appear to cover unscrupulous individuals or firms who submit tax refund claims without the explicit knowledge and consent of the taxpayer. We have suggested some wording that may help to ensure the measure covers such agents.

However, if HMRC can police access to their systems by non-compliant agents, taxpayers may find that their experience of dealing with HMRC is negatively affected by this policy, if their agent is suspended or cannot register. The time lag between agents being suspended and having to notify their clients of their suspension could prevent taxpayers from complying with their tax obligations without understanding why. We think HMRC should accept appeals from affected taxpayers on the basis of reasonable excuse.

We think HMRC should publish guidance for taxpayers on agent registration – in particular, that it is not an endorsement of that agent by HMRC. It must also cover what suspension means, and what taxpayers need to do if their agent is suspended.

We acknowledge HMRC concerns in relation to making their database of registered agents public. However, for the sake of transparency and accountability, we think there should be a publicly available database of registered agents that taxpayers can check.

Tackling non-compliance in the umbrella company market

Our submission responds to the government's draft reforms tackling tax non-compliance in the umbrella company market, specifically the introduction of joint and several liability provisions which make agencies accountable for umbrellas in

their supply chains.

One of the aims of joint and several liability is to protect workers – particularly low-income agency workers – from practices such as disguised remuneration. Therefore, overall, we welcome the joint and several liability approach. However, we stress that success depends on effective operational delivery, visible enforcement and a holistic approach to avoid risk-shifting and ensure genuine worker protection.

We urge HMRC to produce detailed technical guidance well ahead of implementation. This should provide clarity and worked examples on:

- the scope of liabilities (covering tax, National Insurance contributions, student loans, apprenticeship levy);
- methods for quantifying liabilities where HMRC lacks complete information;
- collection processes, including determinations, in-year collection and appeals;
- anti-avoidance rules, ensuring that genuine models are not unintentionally caught; and
- what happens after joint and several liability is applied, including the prevention of phoenixism.

Potential unintended consequences are also highlighted. These include:

- umbrellas facing weaker incentives if HMRC mainly pursues agencies;
- instability if micro-agencies fold or engage in avoidance behaviour;
- worker disruption if agencies shift staff to in-house PAYE, risking tax errors or duplicate records; and
- uncertainty around interaction with existing PAYE Regulations, especially ensuring HMRC does not pursue both workers and agencies for the same liabilities.

In summary, while supporting the principles of joint and several liability, the LITRG submission calls for clear guidance, strong enforcement and careful coordination to ensure the reforms truly protect workers without creating instability or unfairness.

Making Tax Digital for income tax

LITRG have responded to HMRC’s consultation on the draft regulations for Making Tax Digital for income tax published in July. These regulations will eventually replace

the regulations from 2021 and 2024.

Our short submission highlights key concerns around the proposals relating to the exemptions process. These include:

- the removal of the deadline for a response to an application for exemption on the grounds of being digitally excluded (the original regulations imposed a deadline of 28 days); and
- the reduction of the deadline for notifying that someone is no longer digitally excluded from three months to 30 days.

The full LITRG responses are available here:

- Better use of new and improved third-party data: www.litrg.org.uk/11100
- Requirement for tax advisers to register with HMRC and meet minimum standards: www.litrg.org.uk/11099
- Tackling non-compliance in the umbrella company market: www.litrg.org.uk/11095
- Making Tax Digital for income tax: www.litrg.org.uk/11104

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