New registration requirement for some trusts and investment companies

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The ATT and CIOT are seeking clarity on the penalty position where a new registration requirement for some trusts and investment companies has been missed.

In December, the ATT and CIOT joined with other legal, trust and accountancy bodies to express concerns to HMRC about the lack of awareness of new requirements to register trusts and other entities which are considered financial institutions for automatic exchange of information (AEOI) purposes.

Following the introduction of the International Tax Compliance (Amendment) Regulations 2025 in July 2025, trusts and other entities classified as either UK reporting financial institutions or UK trustee-documented trusts now have a one-off

requirement to provide information to HMRC through their AEOI portal. This is a separate requirement to any registration required with the trust registration service.

The deadline for registration was 31 December 2025 – a challenging deadline given both the lack of publicity around the measures and the busy self-assessment season. The ATT, CIOT and others have been working with HMRC to clarify the position on penalties where registrations are made late.

Background

As part of international transparency measures to tackle tax evasion, for some years the UK has required financial institutions – typically understood by the public as banks and investment providers – to collect information on non-residents who hold accounts with them and report this to HMRC. HMRC then exchange this information with other countries.

The two main exchange agreements are the Common Reporting Standard, under which data is exchanged with other OECD countries, and the Foreign Account Tax Compliance Act, which is the original US exchange agreement.

However, the term ‘financial institution’ is very broadly defined and it is possible for family trusts and other entities, including partnerships and companies, to meet the definition under the Common Reporting Standard and/or the Foreign Account Tax Compliance Act. As a result, these regulations capture a much broader range of entities than might be expected.

What is a financial institution in the context of a trust or other entity?

For the purposes of AEOI, trusts and other entities need to establish whether they meet the criteria to be considered a financial institution.

The tests are complex – detailed guidance is provided in HMRC’s International Exchange of Information Manual (tinyurl.com/2vhxcfmy) – but the main test relevant to most trusts is the ‘investment entity’ test. This asks whether 50% or more of the trust’s income comes from investments and whether the trust has a discretionary fund manager. If the answer is yes to both, then the trust is generally a reporting

financial institution and will need to register with HMRC.

Alternatively, a trust with investment income may be a trustee-documented trust. Again, this requires more than 50% of the trust's income to come from investments, but in this case one of the trustees is itself a financial institution, typically a corporate trustee, which has agreed to take on reporting responsibilities for the trust. These trusts are also required to register individually with HMRC via the AEOI portal.

What has changed?

Prior to the new rules, only financial institutions which needed to make an AEOI return were required to register with HMRC. This would typically be because one or more of the settlors, trustees or beneficiaries was non-resident and received benefits from the trust.

Trustee-documented trusts did not need to register even if they had a report to make, as their corporate trustee would report for them.

Under the new rules, *all* reporting financial institutions and trustee-documented trusts need to register – even if they have nothing to report because all relevant parties are UK resident.

Deadlines

Trusts or other entities which met the definition of a financial institution in 2025 should have registered by 31 December 2025.

Going forwards, affected entities should register by 31 January following the calendar year in which the entity first becomes a reporting financial institution or trustee-documented trust.

Penalties

HMRC's manuals set out the following penalties for failure to register:

- £1,000 for failure to comply with notification requirements; and

- daily penalties of up to £300 if, after notice of the penalty has been issued, the failure continues.

Practical issues

Registration is through HMRC's AEOI portal (tinyurl.com/3wmsb7k7). Agents can register on behalf of clients, but if an agent does not already have Government Gateway credentials for the AEOI service, a new set of credentials will be needed.

Agents should also be aware that once a registration has been filed, the system will lock them out for 24 hours after each submission to allow for processing – which prevents further filings during that period. One way to manage this is to use the bulk upload facility, which allows up to 250 trust registrations to be submitted in a single filing.

HMRC have confirmed in correspondence that the requirements will apply to bare trusts but not to deceased estates during the period of administration.

Following the rule changes, charities which meet the criteria to be qualified non-profit entities can deregister from HMRC's AEOI service from 1 January 2026. HMRC will accept that any such non-profit organisation that has not registered with HMRC's AEOI service because it has never had reportable accounts is not required to register by 31 December 2025.

Discussions with HMRC

The ATT, CIOT and other interested parties have been speaking with HMRC to understand the potential penalty position for trusts where registration is completed late.

HMRC confirmed in December that penalties would not be issued automatically and that penalties would not apply where there is a reasonable excuse for missing the deadline. HMRC were keen to stress that where firms had concerns about meeting the deadline, they should email:
enquiries.aeoi@hmrc.gov.uk for advice.

We will provide further updates on our respective websites as we learn more.

The joint letter to HMRC can be found here: tinyurl.com/44z34asp

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