Finance Bill 2025-26: ATT briefing on proposed HMRC powers relating to digital communications

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April 2026



20 March 2026

The ATT raised concerns about a provision in the Finance Bill 2025-26 that would give HMRC new powers to require taxpayers to provide and maintain digital contact details.

Clause 258 of the Finance Bill (which may have become a Finance Act by the time of reading) will allow HMRC to issue outbound correspondence digitally as the default position.

While taxpayers may be able to opt out and continue receiving paper communications, the ATT notes that the scope of this opt-out remains unclear. The current proposals assume direct communication with the taxpayer only, so it is uncertain whether taxpayers who rely on agents will retain a meaningful ability to

opt out, risking missed communications to the agent if paper messages are sent only to the taxpayer.

The legislation would also introduce mandatory provision of digital contact details at certain online interaction points. Without supplying or updating these details, taxpayers may be unable to complete online processes and could face the proposed penalty of up to £1,000 (subject to secondary legislation).

A central concern for the ATT is the potential severity of the penalty. No such penalty exists for failing to update a postal address, and similar administrative oversights elsewhere in the tax system rarely attract sanctions. If the maximum potential penalty for failing to update an email address is enacted via secondary legislation, it would risk unfairness and inconsistency.

The proposals also raise security considerations. Taxpayers whose digital accounts have been compromised may be unable to update their details for extended periods. Penalising individuals during a period of cyber-vulnerability would add unnecessary pressure when support is most needed.

The ATT supports the long-term aim of modernising HMRC's digital services. However, the current proposals focus heavily on one-way communication from HMRC to the taxpayer, without ensuring that taxpayers or their agents can respond digitally.

The ATT further highlights gaps affecting specific groups: deceased taxpayers, digitally excluded individuals, and taxpayers who rely on agents.

Recommendations

To address these issues, the ATT recommends the following measures:

Penalties and compliance

- Replace the £1,000 potential fixed penalty with a lower maximum amount.
- Introduce a soft-landing period, reasonable excuse provisions, and a defined timeframe (we suggest a 90-day window) for updating digital contact details.

Communication and agent access

- Implement a two-way digital communication system.

- Provide full agent access to digital communications between HMRC and the taxpayer through the Agent Services Account, including the facility for the agent to respond digitally.

Vulnerable and special-case users

- Set out clear procedures for personal representatives and move to postal communication upon notification of death.
- Ensure robust opt-out options for digitally excluded individuals.

Security and system testing

- Conduct consultation, user testing and sandbox trials before rollout.
- Provide mechanisms for reporting security breaches and restoring safe access.

The full ATT briefing is available here: www.att.org.uk/ref513

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