Third-party reporting: a clearer picture of income

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New third-party data reporting requirements will help HMRC identify undeclared income, improve compliance and simplify reporting for taxpayers.

The next steps in gathering data fromthird parties were announced by HMRC on Budget Day 2026 and shortly thereafter (see tinyurl.com/56x7759b).

About 600 financial institutions currently supply HMRC with interest data. This is provided three months after the end of the tax year and does not include atax identifier. From April 2028, finance bodies will need to provide interest data within three weeks of the end of each quarter in the tax year, or annually for some types of interest. They will need to supply an individuals National Insurance number with the interest information (orconfirm that the individual does not qualify to have an NI number). As well as banks, building societies and National Savings, other payers, such as wealth managers, are included.

Interest income reporting

Regulations covering the supply of interest data and credit/debit card data (tinyurl.com/ycyscm4p) have been published, together with guidance for financial institutions (tinyurl.com/37erkw34). The guidance covers issues such as joint accounts, accounts where the holder has died, and when the NI number should be obtained forexisting accounts (HMRC expects annual enquiries of bank customers).

HMRC expects to allocate interest income to an individuals personal tax account shortly after receipt and use it to adjust tax codes much more quickly than currently. It will also be used in simple assessments and to pre-populate accounts for Making Tax Digital for Income Tax and Self Assessment. It is understood that data will be presented for each account, rather than in aggregate, so individuals should be able to check its accuracy.

The change is estimated to raise £490million in 2029-30; £660 million in 2030-31; and £840 million in 2031-32. HMRCs costs are estimated at some £68.3million, predominantly to establish the new data system and the infrastructure needed to deliver the targeted upstream compliance interventions to bring in the extra tax. No estimate has been published of the costs to financial institutions of modifying their systems and gathering NI numbers and other identifying data.

About 13 card processors (merchant acquirers) currently supply credit and debit card data by supplier to HMRC. From April 2028, this will need to be provided monthly, again with a tax identifier, such as a VAT registration number, an NI number or a company registration number. HMRC willuse the third-party data to identify businesses that ‘attempt to gain an unfair competitive advantage by evading tax.

Property income and dividends

The next steps in the third-party data journey cover property income and dividends. A consultation was published onBudget Day on ‘Improving Property Income data reporting (see tinyurl.com/mrmdcv36).

The consultation considers the detaileddesign and implementation of improvements to the quality of specific data already acquired under HMRCs data-gathering powers

(Finance Act 2011 Sch 23). The datasets in scope are those relating to:

- letting agent data: rental income data provided by letting agents; and
- tenancy deposits: tenancy deposit data provided by tenancy deposit protection schemes.

Currently, HMRC collects this data by issuing notices to data holders – over 10,000 each year. It is intended that data provision should become automatic, as will be the case for interest. The consultation covers thedetailed design of the new obligations, including reporting frequency; the scope of information to be included; the standards that should apply to data quality; and how data holders can report the data after the end of the reporting period.

The document notes that HMRC has used property data in several campaigns toencourage reporting. ‘However, HMRC continues to struggle to close the tax gap for property income, due in part to the fact that data can be incomplete, difficult to match accurately to taxpayer records, and isoften received too late to support timely compliance interventions.

A key change will be to require more frequent reporting during the tax year, rather than 60 days after a notice has been issued after the tax year. The government is considering monthly or quarterly reporting, which should enable HMRC to prompt landlords to include rental income in their Self Assessment tax returns or in Making Tax Digital for Income Tax. The consultation also asks how long letting agents and tenancy deposit schemes would need to report the information. It is intended, as for interest, to move to a structured data system, such as XML or JSON, which are typically used for tax reporting. Tax identifiers will also be needed, such as NI numbers, VAT or company registration numbers, or Unique Taxpayer References for partnerships.

Finally, the property document gives an update on dividend reporting. It notes that HMRC has collected dividend data from asmall number of investment platforms during 2026 to progress potential reforms ofdividend income data. The analysis of thisdata will inform the next steps of the policy for dividend income.An update willbe provided at a laterstage on how to implement this new dataset.

The Office for Tax Simplification published its first report on the whole area in2021. Implementing third-party reporting, asthe government now plans, should help to simplify tax reporting for taxpayers, as well as reduce the tax gap.