THE INVESTMENT ASSOCIATION

HM Revenue & Customs,
100 Parliament St,
London,
SW1A 2BQ,

Sent via email to: **tafrinformationdata@hmrc.gov.uk**

22 August 2023

Dear Sirs

RE: Tax Administration Framework Review: Information & Data consultation

Thank you for the opportunity to respond to HMRC's consultation on the Tax Administration Framework Review: Information & Data ('the Consultation'). We enclose our response to the Consultation.

We remain committed to continued engagement with HMRC on this important matter, making meaningful and constructive contribution to policy and technical discussions.

Please contact me (anshita.joshi@theia.org), or Chris Hewitt (chris.hewitt@theia.org) should you have any questions.

Yours sincerely

Anshita Joshi
Head of Risk & Tax

The Investment Association

Camomile Court, 23 Camomile Street, London, EC3A 7LL
www.theia.org

anshita.joshi@theia.org

@InvAssoc @The Investment Association

Response to consultation

TAX ADMINISTRATION FRAMEWORK REVIEW: INFORMATION & DATA CALL FOR EVIDENCE

About the Investment Association

The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £10 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 46% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

Our Response

IA members are primarily fund promoters and/or manufacturers, who operate in a highly intermediated environment (see **Appendix A** for an illustration of Fund Participants chain). These businesses distribute their products to investors directly or rely on wholesale partners such as financial institutions, brokers, financial advisers, and wealth managers. Depending on their roles within the investment chain, they are already required to produce and transmit data to investors, customers, and tax authorities, which can be further used by other intermediaries.

Our response therefore focuses on areas relevant to our members as potential third-party data providers for the purposes of this Call for Evidence.

Data: Firstly, before HMRC compare or look to adopt international approaches particularly with regards to its powers to seek third party data, the first step needs to be to identify what information or data it needs, what it already has within its possession and what it can require from third parties, considering commercial realities, data protection regulations, legalities, and the likely accuracy of such information. As an example, in the Office of Tax Simplification's 2021 review of making tax easier through smarter use of third-party data, it considered a range of areas including dividends from UK companies, distribution from UK and overseas open-ended authorised investment funds and other information that may be available to investment and wealth management firms about their customer's assets including investment gains. As covered in detail in our response to the OTS (included in **Appendix B**), calculation of gains is dependent on a number of investor specific facts and therefore almost always unlikely to be able to be computed accurately by third party data providers. It must therefore not be considered as a mandatory requirement for third party data providers to provide for the purposes of investor's self-assessments.

Maintaining Taxpayer Input: Taxpayers' role as stewards of their tax affairs should be preserved. A two-stage approach for confirming the accuracy of information reflected by HMRC is recommended, allowing taxpayers to provide missing details and verify the data. This ensures that data shared with HMRC is accurate and attributable to the right individuals.

Clarity on Reporting: HMRC must clearly define the data required from third parties, avoiding excessive costs. Any additional data reporting should have clear goals and benefits. Tax-free products like ISAs should be excluded from additional reporting requirements as their details don't need to be included in self-assessment tax returns. It is important to recognise that providers may not be able to provide all data points and enable bulk uploads to HMRC and as such, third party data providers must be clearly defined and identified at the outset.

Standardisation: The lack of an existing reporting schema and a clear understanding of data exchange technology creates obstacles in building a workable system that addresses legal and commercial concerns within the industry, while providing data to HMRC. As proposed in the Call for Evidence, we strongly support establishing a reporting schema and data exchange technology to address these concerns effectively.

Timeline: A clear and achievable roadmap should be established after agreeing on technical standards, allowing businesses to plan for implementation with realistic timelines. This is essential to upgrade IT systems to handle the volume of required reporting effectively.

Data Protection: Since the shared data involves confidential financial information, appropriate safeguards must be in place to comply with the UK's data protection laws. Challenges include correctly attributing data to individuals without a National Insurance Number (NINO) or Tax Identification Number (TIN) and considering the operational impact of expanding data reporting beyond KYC/AML requirements. Review the legislative framework to ensure it aligns with the scope of data sharing in the intermediated environment. Consider challenges in attributing data to the right individuals without NINO/TIN and be mindful of operational impacts while specifying data to be reported.

Minimising Errors: Design the reporting regime to minimise the risk of incorrect data attribution by both HMRC and providers.

By addressing these key issues and implementing the recommended solutions, the industry can establish an efficient and compliant data reporting system, benefiting all stakeholders involved.