



Response to

HM Revenue and Customs Consultation: “Better use of new and improved third-party data to make it easier to pay tax right first time”

21st May 2025

Introduction

The emergence and rapid growth of the well-functioning umbrella market has been a positive contributor to UK growth, productivity and wealth. Compliant bona fide umbrellas – also known as Specialist Payment Intermediaries (SPIs) – provide certainty and security to the workers engaged by them, ensuring that; they receive the full protections required by employment law, their tax affairs are simplified, and all required taxes are remitted to HMRC.

The Freelancer & Contractor Services Association (FCSA) is the UK's leading professional membership body dedicated to raising standards and promoting supply chain compliance for the temporary labour market. Our members provide umbrella employment (via an Overarching Contract of Employment), self-employed services, accountancy, and business support solutions to the contingent workforce.

At time of writing, FCSA has more than 80 Accredited Members who collectively represent circa 220,000 workers engaged as employees; making them, collectively, one of the largest employers in the UK. Around 1 in 3 of the workforce represented by FCSA are women. Annually, FCSA members alone collect circa £12.5 billion in taxes and NICs which are timeously remitted to HMRC.

FCSA has worked extensively with government and other stakeholders to promote the highest possible standards in the industry, most recently providing labour market intelligence and umbrella regulation advice to directorates in the Department for Business and Trade (DBT), such as Labour Market Enforcement and Employment Agency Standards and HM Treasury, as well as working with HMRC across a number of areas including the off-Payroll Working Forum.

It has also assisted Parliament, giving evidence to the All-Party 'Parliamentary Loan Charge and Taxpayer Fairness Group', 'Modernising Employment Group', and the House of Lords Finance Sub-Committee, as well as being an expert advisor to the DBT-supported JobsAware initiative, the Better Hiring Institute.

This submission outlines our position and recommendations, emphasising the need to take a proportionate approach and ensure there is a clear and viable purpose for the collection and storage of any new data sets. Where penalties and deterrents are needed, there needs to be a focus on education to foster a system that drives compliance at source – we agree that more needs to be done to drive out non-compliance, understanding the intentions behind any non-compliance is fundamental.

FCSA continues to promote compliance within the sector for the benefit of individual workers, HM Government, and the supply chain. As a representative of a unique subsection of the labour market, we regularly submit evidence to Government with market-led recommendations on how to drive non-compliance out of the supply-chain.

Executive Summary

FCSA welcome the Government's intention to make it easier to pay tax right through making better use of third-party data. However, we must ensure that any new powers to obtain new third-party data HMRC receive; have a clear and viable purpose, are not excessive and needlessly intrusive, are not overly burdensome and costly, and that there are not any unintended consequences.

It is worth highlighting that HMRC already has access to a very large number of data sets and the data HMRC already have access to is currently not used as well as it could be. We therefore question the merits of any moves to obtain access to more data when HMRC have yet to use existing data sets effectively. We are concerned that more data sets could add to the challenge of enhancing data utility, and that the risks of collecting these additional data have not been properly assessed.

We believe that greater weight needs to be given to the administrative impacts and cost to business. We are therefore concerned that this is yet another HMRC measure that is unlikely to have a full Regulatory Impact Assessment or receive the independent scrutiny of the Regulatory Policy Committee – after all this is not really a tax proposal.

FCSA have identified and highlighted some instances where there simply is not a use case for the data that is collected i.e. the data would serve no useful purpose and/or it could feed misunderstandings and false conclusions in instances where it is incomplete. This would mean that the associated administrative costs and time spent would be for no discernible benefit to HMRC, the business, or the consumer.

It is important to consider the compatibility of these proposals with other responsibilities businesses have. For instance, GDPR compliance would become more costly and challenging, as there will be larger data sets of sensitive and personal information to manage. The risks associated with this are also significantly increased should the data security be compromised and be obtained by actors with malintent.

When it comes to compliance reporting, it is vital to consider the firm/individual's intentions when publishing – minor instances, particularly first offences, anonymity is a fair and reasonable expectation. Such publications should be detailed case studies to allow them to act as educational pieces. The policy aim must be to enhance compliance across the board – Education is fundamental to that.

Whilst FCSA believe that changes do need to be made, we do not see access to more data as the answer in the most part. Any new third-party data acquiring powers need to be proportionate and with a very clear and viable purpose. We believe the focus needs to be on making greater sense of the data HMRC already has access to and understanding how to better curate and use it more effectively.

Responses to Consultation Questions

Question 1: Do you support maintaining the scope of Schedule 23 of Finance Act 2011 paragraph 12 ‘interest’ as HMRC moves towards standing reporting obligations for financial account information? Are you aware of any unforeseen consequences or missed opportunities?

N/A to FCSA

Question 2: Do you support maintaining the scope of Schedule 23 of Finance Act 2011 paragraph 13A for card sales data as HMRC moves towards standing reporting obligations? Are you aware of any unforeseen consequences or missed opportunities?

N/A to FCSA

Question 3: Should specific types of financial accounts or providers receive special consideration in the reporting of financial account information and card sales data, and why? What is the volume or incidence of these exceptions?

N/A to FCSA

Question 4: Do you have any comparable examples of an effective process which ensures that a) those in scope are aware of their reporting obligations, and b) the relevant department is aware of those who should be reporting?

N/A to FCSA

Question 5: The government’s emerging position is that the frequency of reporting financial account information should be monthly, and that data should be required as close as practicably possible to the end of each month.

1. What would be the cost of introducing monthly reporting?

It is hard to specify a cost of monthly reporting as this will vary widely from member to member depending on size. However, we should stress that monthly reporting is likely to be more expensive than real-time reporting for our members i.e. that reporting is linked to PAYE.

Monthly reporting is likely to require building a new process from scratch (particularly where employees are paid on a weekly basis). The only one-size fits all approach that will not be burdensome for many firms is to use the existing PAYE systems for real-time reporting.

- 2. Would a frequency more regular than monthly be preferable i.e. because it integrates better with business processes? If yes, what would be preferable between a week, a few days, 24 hours, or 'on or before payment', and why? What are the relative costs and benefits?**

What is preferable will vary firm to firm – a one-size fits all answer in terms of frequency of reporting cannot exist because payment frequency will vary on a case by case basis. (weekly, fortnightly, every four weeks and monthly)

'On or before payment' makes more sense as it relates to the payment frequency of any given case. This is why it makes more sense to use the PAYE systems for real-time reporting. This approach will help to identify and address any errors in real-time and act as an additional safeguard to ensure accuracy.

Realtime reporting is important to avoid any delays in detecting errors because the longer an error is left, the greater it's impact. Real-time reporting will also detect changes in staffing which could be a potential source of errors and confusion.

- 3. How soon after the end of each reporting period can data be provided?**

Instantly if the PAYE system is used for real-time reporting.

- 4. Are there specific cases that need to be treated differently, if so, why, and what is the volume or incidence of these exceptions?**

Self Employed cases. For example, the Construction Industry Scheme (CIS) can report their tax weekly and pay it weekly but if a construction worker is self-employed they can only pay it on an annual basis. This makes no sense in a digital age and it makes errors and corrections more complicated. Adding additional reporting requirements for self-employed does not make sense when nothing is being done to make it easier for them to pay tax in real-time.

Question 6: The government's emerging position is that the frequency of reporting card sales (merchant acquirer) data should remain as monthly and be extended to all in-scope data-holders, and that data should be required as close as practicably possible to the end of each month:

- 1. Would a frequency more regular than monthly be preferable, for example because it integrates better with business processes? If yes, what would be preferable between a week, a few days, 24 hours, or 'on or before payment' (from the merchant acquirer to the vendor), and why? What are the relative costs and benefits?**
- 2. How soon after the end of each reporting period can data be provided?**

3. Are there specific cases that need to be treated differently, if so, why, and what is the volume or incidence of these exceptions?

N/A to FCSA

Question 7: Regarding the schema for card sales (merchant acquirer) data, do you agree with our conclusion that exploring a different schema at this point is not preferable? If not, are there other schema options (such as internationally recognised schema) that the government should consider?

N/A to FCSA

Question 8: Our preferred option is to tailor the CRS schema. We would be grateful for your views on:

1. Which key specifications need to be included? How would you tailor the CRS schema to meet domestic reporting requirements?
2. What the benefits and drawbacks are of combining BBSI and other interest under one schema?
3. What are the associated costs with adopting a tailored version of the CRS schema? Would an alternative approach be more cost efficient?

N/A to FCSA

Question 9: What are your views on how the data, in line with the schema options, should be shared/transmitted from third-party suppliers to HMRC?

As stated above, this should be done in Realtime via PAYE. This will avoid unnecessary changes to a system that works, whilst avoiding the business costs of having to change software, hiring new tech staff etc. FCSA support there being a set of additional questions but not a 'start from scratch' new system – this must be avoided.

Question 10: To help alleviate burdens on data suppliers and to support greater efficiency, what are your views on:

1. HMRC providing a manual resource like a user interface (compliant with the XML standard schema like the CRS model) for providers supplying small volumes of data?
2. What easements should be provided if any?
3. Would you use an Application Programming Interface (API) if they were made available to share information and data with HMRC in this context? Are there other forms of transmitting data that are effective and secure for the transfer of bulk data between systems?

N/A to FCSA

Question 11: Which identifiers are appropriate for these types of categories (Partnerships, Trusts and Charities) and do you have views on how they may be collected and supplied by third parties?

There needs to be a singular and national way of identifying an individual, whilst it would appear that National Insurance (NI) numbers do this, they are not universal and therefore cannot be fully relied upon in this context.

It is important to remember that there remains a very small number of instances where duplicate NI numbers have been issued – this needs to be resolved. It is also the case that temporary foreign workers will often not have been issued an NI number at all, they have Temporary Reference Numbers (TRNs). However, TRNs cannot be used for Real Time Information. The answer is to fix NI numbers and make sure there are no errors or duplicates. Running a separate system for TRNs is pointless – why not instead withdraw/mark an individual's NI number as invalid if/when their right to work expires.

It would make sense to start to link NI numbers to businesses where appropriate (e.g. not for PLCs). HMRC already have a lot of data, but they do not link it together to make it say anything meaningful – this needs to change.

For Partnerships, it makes sense for them to be linked to NI numbers. Sole Traders, Partnerships etc all need to be given Company Reference Number as well.

Question 12: What are your views on the proposed requirement to place obligations on suppliers to request NINOs from individual customers, CRNs from incorporated businesses and VRNs from businesses and traders making sales via card machines (merchant acquirer data)?

This is excessive and information that is not needed – some would go as far to say that such a proposal is incompatible with the idea of living in a free and democratic country.

Aside from the objection in principle, there are clear legal issues that would arise from this – for instance collecting NINO's would create a significant GDPR burden that many firms simply will not be able to bare.

In our view all businesses should have a CRN number – that is not currently the case. However, even if that data was collected by business making sales via card machines, it would not be in anyway useful to the receiver and it presents data storage risks and unnecessary costs – including increased insurance costs.

Even if the moral, legal and financial implications could be fully addressed there would still be no point to collecting this data because it would be building up an incomplete picture. For instance, what happens if sales are completed via multiple payment methods as well as cards e.g. invoicing/bank transfer payments/open banking? There is a danger of building incomplete and misleading data sets that feed false conclusions.

In short this is not a sensible proposal, and the implications would be wide ranging.

Question 13: What are the associated costs on suppliers for collecting the relevant tax references from your customers?

The additional costs are likely to be significant and not realistic. The main costs we can immediately identify would include additional storage and software upgrades, as well as increased staffing levels to address the security considerations, as well as GDPR compliance. Insurance costs are also likely to rise as there will be greater risks to manage. There are also likely to be other costs that cannot be foreseen.

If this data collection is not mandated and enforced, how will HMRC know whether or not firms are being compliant? What will the measure actually achieve? Surely proportionate changes to the reporting requirements that work with existing systems such as PAYE would be sufficient for achieving the Government's aims.

To provide a further example for questions 12 and 13: Imagine a sole trader with a brand name who then sells on their brand name and equipment – i.e. the brand is no longer associated with the original person – then use of NINOs would create serious issues. If using NINOs, there needs to be an ability to unpick or change the reference numbers as it won't apply to the correct person. This could have serious cost and legal implications for any firm that interacts with said brand name.

Question 14: What are your views on introducing due diligence requirements that align, where appropriate, to those for RRDP and the CARF?

N/A to FCSA

Question 15: Do you agree that, in principle, penalties relating to bulk third-party data obligations should be consistent with those set out above?

This should be done on an educational basis for first offences. Penalties should only apply where malintent is identified.

Question 16: If not, is there an alternative penalty structure that would be more appropriate to ensure accurate data, including on tax identification numbers, are collected for customers?

As per 15, no further comments

Question 17: What are your views on how the gap between domestic reporting and international obligations under Common Reporting Standard could be closed? Are there any specific types of financial account, or financial account information, that you believe should be included or excluded in future phases of reform? If so, why?

N/A to FCSA

Question 18: What data do you (individuals and their agents) currently use to calculate tax liability on dividends and other investment income? Would it be easier if this data were pre-populated in self-assessment or shown in a PAYE tax coding notice?

For the first part of the question, it is simply all data that is relevant to any given individuals tax affairs – whether that be on an employed basis or through an individual’s own professional services company. Generally speaking, this will simply be data relating to their earned income under the individuals overarching contract of employment with the umbrella.

However, around half of FCSA member firms run their own accountancy business. This means that – where applicable – they will assist their clients with Self-Assessment Tax Returns, which in some cases could involve investment income. In such instances, the member concerned would have complete oversight over their client’s finances and therefore manage these tax liabilities accordingly. There are also instances where this would apply to clients that operate under the Construction Industry Scheme (CIS).

With regard to pre-populated data, we believe this would be beneficial, as long as it is accurate. In any event, there must be an ability to update/override pre-populated data to ensure accuracy. Generally speaking, we are in favour of pre-population as we believe this should save business precious time. Dividend and Investment income should be treated separately from PAYE tax coding notices.

Question 19: How straightforward would it be for you (third-party data suppliers) to provide dividend and other investment income data to HMRC that mirrors what is provided in customer annual tax packs and aligns with the tax year end 5 April? What are the main challenges with this approach?

N/A to FCSA