Association of Taxation Technicians – Written Evidence – (DFB0014)

1 Introduction

1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the House of Lords Finance Bill Sub-Committee Call for Evidence ('the Call') into Finance Bill 2026-27.[1]

1.2 In summary, we have concerns about a number of the measures covered in the Call, including:

- Modernising the correction of errors – there are significant uncertainties regarding how this measure will operate in practice, which are not helped by the use of subjective and widely defined terms in the legislation. We also believe the proposed sanctions are not coherent.
- Criminal offence of reckless untrue statements and declarations – we support the government's objective of tackling tax fraud and promoting a tax system that is clear, consistent and proportionate. However, we do not support the introduction of a new criminal offence. In our view, HMRC has not adequately established that the existing framework of civil penalties and criminal offences is insufficient to address the concerned behaviours.
- Payrolling benefits in kind - we are concerned that delays in HMRC publishing practical guidance and limited publicity to date mean that many employers are not adequately prepared for changes that are due to take effect in a matter of months.

1.3 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.

1.4 We have responded to questions 1 to 7 on modernising the correction of errors, question 8 on the criminal offence of reckless untrue statements and declarations consultation and questions 9 to 14 on mandatory reporting of benefits in kind in Real Time Information from April 2027.

1.5 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 5.

[1] https://committees.parliament.uk/work/10007/draft-finance-bill-202627/

2 Modernising the correction of errors

Question 1: How do you expect this measure to operate in practice and what effects do you expect it to have, particularly on taxpayer compliance?

2.1 Overall, we believe there are significant uncertainties as to how this measure will operate in practice, and consequently the effects it will have on taxpayer compliance. In our response below, we have set out the key uncertainties surrounding both the proposed 'duty to correct' in Part 1 of new Sch24A and the ability for HMRC to issue 'correction notices' in Part 2.

3 Criminal offence of reckless untrue statements and declarations consultation

2.2 Duty to correct

Our main concerns regarding the duty to correct are around taxpayer awareness, and the potential uncertainty which the wording of the draft legislation introduces.

Question 8: What are your views on the need for a new criminal offence of making reckless untrue statements or declarations in direct tax matters, as is currently being consulted on? How effective do you expect such an offence to be at improving taxpayer compliance?

3.1 The ATT supports the government's objective of tackling tax fraud and promoting a tax system that is clear, consistent and proportionate. However, we do not support the introduction of a new criminal offence for making reckless untrue statements or declarations in relation to direct taxes.

3.2 In our view, HMRC has not adequately established that the existing framework of civil penalties and criminal offences is insufficient to address the concerned behaviours. Rather than filling a genuine gap in HMRC's enforcement powers, the new offence risks creating unnecessary overlap with the existing civil penalties and lowering the threshold for criminal liability by introducing criminal sanctions in circumstances where dishonesty is neither alleged nor capable of being established.

3.3 The principal concern we have is in being able to sufficiently define the threshold for criminal recklessness in a way that clearly distinguishes it from the behaviours that currently attract civil penalties. Unless that distinction is both clear and robust, taxpayers, advisers and prosecutors may face uncertainty as to where the boundary between each of the regimes lies. This could discourage taxpayers and advisers from taking reasonable positions where the law is complex or uncertain, increase compliance costs and encourage defensive behaviour without materially improving compliance.

3.4 We consider that the new offence raises important questions about the proportionality of introducing criminal sanctions where dishonesty is neither alleged nor capable of being established in relation to direct taxes. In our view, this significantly lowers the threshold at which HMRC could pursue a criminal prosecution. It also calls into question the circumstances in which HMRC would

2.3 Correction notices

The draft legislation provides for HMRC to issue a correction notice where they have reason to suspect an inaccuracy. That correction notice then imposes a

The duty to correct imposes a new obligation on taxpayers to correct or notify HMRC where they become aware of an inaccuracy. This measure will only be effective if taxpayers are aware that such an obligation exists. Without a suitable education and awareness campaign from HMRC, awareness is likely to remain low (especially amongst unrepresented taxpayer), limiting the effectiveness of the measure.

Even where taxpayers are aware of the requirement, we believe the current wording of the draft legislation leaves it very unclear exactly what taxpayers need to do and when.

The draft legislation imposes a duty to correct where a taxpayer 'becomes aware' of an inaccuracy. Where this is the case, the taxpayer needs to take 'reasonable steps' to secure correction of that inaccuracy.

As discussed below, it is not clear what is sufficient to constitute 'awareness' in this context and what exactly are 'reasonable steps'. The draft legislation also does not set any time limits for taxpayers to take reasonable steps, which is likely to further increase uncertainty.

If the taxpayer is unable to correct an inaccuracy themselves, then they are required to inform HMRC. If the measure is to be effective, there will need to be an obvious and dedicated route to make such a disclosure, supported by practical guidance. Given that pulling together information to quantify an inaccuracy could be time consuming, especially where more than one tax year is affected, we would encourage this system to incorporate an initial step of notifying the intention to make a full disclosure. If not, there is a risk that HMRC could argue that 'reasonable steps' were not taken, simply because the taxpayer waited until they had the full picture before contacting HMRC.

[2] https://www.gov.uk/government/consultations/the-tax-administration-framework-review-new-ways-to-tackle-non-compliance

[3] https://www.gov.uk/government/publications/hmrc-transformation-roadmap/hmrcs-transformation-roadmap

consider it necessary to rely on existing criminal offences that require a higher evidential threshold, such as those involving dishonesty or cheating the public revenue.

3.5 We do not support these sanctions being available against tax advisers. We consider that the recent strengthening of provisions introduced by Finance Act 2026 now provide HMRC with a comprehensive and robust framework for addressing sanctionable conduct by advisers. In our view, these enhanced powers are more than sufficient to deal with any reckless behaviour by advisers, and HMRC has not demonstrated why the introduction of a further, overlapping criminal sanction is necessary.

3.6 Finally, we note that with a lower evidential threshold, it is possible that there would be an increase in criminal prosecutions, and this could place additional pressure on an already overstretched criminal justice system, which continue to experience significant caseload backlog

4 Mandatory reporting of benefits in kind in Real Time Information from April 2027

Question 9: How straightforward will it be for employers to report benefits in kind through real time information, in relation to Phase 1 benefits from April 2027 and Phase 2 benefits from April 2028?

4.1 Whilst in many cases Phase 1 will be reasonably straightforward for employers, the delay in HMRC issuing detailed guidance is likely to affect the quality of compliance from April 2027 and employers are unlikely to be as prepared as they could have been. For example, employers may wish to be clear about the action necessary in respect of the correction of errors and whether this needs to take place ahead of Month 12 in a tax year.

4.2 We would envisage that employers that have been payrolling benefits in kind voluntarily will cope better with the change, however the mandatory reporting requirements are more detailed than the previous voluntary payrolling scheme and employers will need to account for additional Full Payment Submission (FPS) reporting fields that they have not previously needed to complete. Employers who have not previously payrolled benefits voluntary will need to implement processes to manage data flows from their benefit providers on an ongoing basis through the tax year, when this was previously required once per year for Forms P11D.

4.3 In all cases, employers will need to establish a standard operating procedure, and data controls to get the required information to payroll ahead of cut off dates. For example, whilst private medical insurance may be an annual renewal of premiums, it will fluctuate if there are mid-year coverage changes for employees. In the case of company cars that the employer leases, car lease

providers will need to be manged so that correct reporting processes are identified including end of lease charges such as excess mileage and damages.

4.4 For all benefits being payrolled (whether mandatorily under Phase 1 or voluntarily ahead of Phase 2), HMRC has now confirmed that Class 1A National Insurance will need to be reported in real time rather than by 19 July following the end of the tax year. This will require employers to manage cash flow and put processes in place to ensure that funds are available for the accelerated payment of Class 1A National Insurance.

4.5 Whilst supportive of the decision to phase, we feel that HMRC could have made further progress since May 2026 in progressing the Phase 2 FPS technical specifications. Whilst implementation is not due to take place until April 2028, there is a higher level of complexity compared with Phase 1. Employers will need to plan for the necessary changes in standard operating procedures and data controls, the extent of which is unclear when the end goal has not been set. If these issues cannot be resolved, it may be necessary for the implementation of Phase 2 to be delayed.

Question 10: How prepared are employers of all sizes for the changes? What support may be needed from HMRC ahead of the changes?

4.6 Overall, whilst we are aware that HMRC plans to release guidance ahead of April 2027, we are concerned that the current lack of published practical guidance from HMRC and limited publicity means that many employers are not adequately prepared for changes that are due to take place in a matter of months.

4.7 We would suggest that preparedness and support requirements may depend more on the nature of the benefit provided rather than the size of the employer. For example, a large national retailer may have tens of thousands of employees, but only provide benefits in kind to a smaller group of more senior employees.

4.8 Employers offering flexible benefits to their employees will require additional preparation to those providing more traditional benefits, such as those in the scope of Phase 1. Those employers will need to have processes in place for procuring information from benefit providers ahead of the payroll being processed for each pay period.

4.9 The level of support needed will vary depending on whether the payroll is run in house or using a third party payroll provider. The extent of support for employers running payroll in house will depend on whether they use standard or bespoke software. The support needed by employers using third party payroll providers will depend on whether there is UK based or offshore payroll support.

Question 11: How will the measure affect businesses' administrative burdens once implemented? Does this differ for those that will continue to report some benefits using P11Ds?

4.10 We expect a fairly significant increase in an employer's ongoing administrative burdens as the changes necessary to the reporting process will require employers to implement a non-cash reporting process within an existing cash reporting process under Real Time Information (RTI). Post implementation of mandatory payrolling, much of the increased administration burden will come from the need to have more frequent dialogue with benefit providers (potentially 52 times per year for weekly payrolls) rather than once per year under Forms P11D.

4.11 On a practical level, employers will need to estimate benefits before the commencement of the tax year so that the first payroll in April is accurate. They will need to conduct a more extensive deep reconciliation process to ensure all benefits, debits and credits are taken into account. Beyond this, employers will have to layer in non-cash benefits and expenses, year-end reporting activities for loans, accommodation and globally mobile employees.

4.12 Real time reporting will also present a more significant challenge for leavers and employees on reduced income e.g. maternity leave.

4.13 We anticipate that the initial stages of mandatory payrolling will result in increased potential for errors and more probability of employers having payroll disputes with HMRC. Whilst we welcome a more relaxed approach to penalties post the implementation period, we would be concerned about the resolution of penalties if HMRC presses ahead to require mandatory payment of PAYE liabilities via direct debit. We would refer you to the ATT response to the consultation on requiring VAT and PAYE liability to be via direct debit.

Question 12: What are your views on the revised delivery timetable for mandatory payrolling of benefits? Are the proposed start dates of April 2027 and April 2028 achievable?

4.14 Whilst we were optimistic on the announcement of the phased approach in May 2026, we feel that the lack of pace from HMRC in issuing guidance thereafter has made the implementation of Phase 1 more challenging. If guidance is published in the very near future, the April 2027 start date for Phase 1 could be achievable provided any remaining 'grey' areas where employers require further confirmation are clarified.

4.15 However, if there are any significant delays in full guidance being published, software developers may struggle to get updates released on time, which would affect the viability of the April 2027 start date for Phase 1.

4.16 At present, due to the lack of progress on the FPS technical specification, we have become concerned whether these can be resolved ahead of April 2028.

The areas to be resolved are complicated, so require careful consideration and discussion with stakeholders.

Question 13: How realistic are HMRC's estimates of the costs to businesses of complying with this measure?

4.17 It is our view that HMRC has underestimated the costs to business of the implementation of mandatory payrolling of benefits in kind. Post implementation, many departments within an organisation (such as HR, finance, tax and payroll) will need to communicate more often and potentially more effectively than they did under P11Ds, generating a financial burden of the change. Depending on how the payroll is run there could be significant implementation costs from payroll third parties.

Question 14: What are your views on how HMRC has approached the design and delivery of this measure since it was first announced in 2024? Have HMRC taken appropriate steps to ensure that they understand the challenges business may face in mandatory payrolling benefits?

4.18 This is a significant reform of an annual non-cash reporting process introduced in the1960s and we feel that HMRC has underestimated the extent of the impact of mandatory payrolling. Whilst it will remove the need for HMRC to process circa 400,000 paper P11Ds received (which we understand was part of the initial motivation), it will create additional complexities whilst employers understand how the changes will impact their day-to-day business activities.

4.19 Publishing clear guidance will be key to the success of the project and we feel that HMRC could and should have made more progress on this at an earlier stage. To get this right involves engagement with professional bodies throughout and we believe that HMRC could have more effectively used the expertise of professional bodies with earlier and continued engagement. For example, we noted a period of limited engagement ahead of the publication of high level guidance at Budget 2025. This was followed by a series of meaningful engagement, which helped shape the scope of the phased approach and the benefits to be included in each phase. HMRC then appear to have lost momentum over Summer 2026, when it could have had more regular collaboration with professional bodies than it has.

4.20 We remain willing to collaborate with HMRC in the coming months to help bring about the effective delivery of guidance. However, our current concern is that the lack of momentum when it was needed could risk further slippage in the April 2027 and April 2028 timescales.

5 Contact details

5.1 We would be pleased to join in any discussion relating to this submission. Should you wish to discuss any aspect of this response, please contact us at atttechnical@att.org.uk.

The Association of Taxation Technicians

6 Note

6.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or ‘Taxation Technician (Fellow)’ and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

10 October 2026