Global reporting standards: how will they impact the UK?

Management of taxes

25 October 2023

What impact will adopting global reporting standards have in the UK?

The next step on the international reporting road takes place on 1 January 2024, when platforms will be required to start keeping records of those selling goods or services and report details to tax authorities. The OECD worked with a number of countries to develop rules and a multilateral convention to enable sharing of information between participating countries. Twenty-eight countries have signed the multilateral convention, including the UK and 19 EU/EEA members (see tinyurl.com/bdej2xuf). Strangely, France and Germany have not joined so far – of course, no one thought the United States would step up.

Finance (No 2) Act 2023 s 349 allows the Treasury to issue regulations to enforce the scheme. The Platform Operators (Due Diligence and Reporting Requirements)

Regulations 2023 have now been enacted, and tie into the OECD's Model Rules (se tinyurl.com/4kydy5sf). The EU has confirmed equivalence (see tinyurl.com/56sy8umh), which means that a platform need only report to a participating EU member state, or to the UK – but not both.

Model Rules

The benefit of following the due diligence and reporting requirements of the OECD's Model Rules is that necessary information will be collected in standard form, which minimises the burden on the platforms. The data is sufficient to enable tax authorities to match the taxpayers to their own domestic databases, being the name of sellers, address, Tax Identification Number and date of birth (or business registration number). The data must be regularly updated and verified. Bank account details must also be provided where such information is available to the platform operator. The Model Rules foresee an aggregate annual reporting of the transactions, by type and quarter. Data provided will include income, platform fees and taxes withheld (where relevant), together with standard characterisation of the service provided, including income by individual property, where property rentals are involved. The reports must be delivered for every calendar year and submitted by 31 January.

Relevant platforms include those which facilitate the provision of goods and services, such as taxi and private hire services, food delivery services, freelance work and the letting of short-term accommodation.

Reporting platforms will need to notify HMRC by 31 January 2025, as will excluded platforms (those which do not allow sellers to make a profit, or where there are no reportable sellers). There are a range of penalties for failure to notify, keep the necessary records or send inaccurate information – accompanied by the usual reasonable excuse provisions and the oversight of the tax tribunal.

HMRC issued a Tax Information Note with the regulations (see tinyurl.com/p87z8vwp), estimating that it will cost it £36.69 million to implement the reporting rules. It will take 24 full-time equivalent staff members to manage the system. No cost estimate has been made for platforms.

HMRC doesn’t really know how many UK-based individuals and companies provide goods and services via platforms. It estimates that there are 2 million to 5 million businesses selling via digital platforms, meaning that the overall impact of the new reporting will be significant. Platforms will need to provide sellers with the same information they provide to HMRC, to enable sellers to reconcile their data. HMRC hopes: ‘This should help them to declare the right income and may make complying with their tax obligations easier.’

The OECD notes that the relatively rapid platform reporting date of 31 January was chosen to enable tax authorities to pre-fill taxpayers’ data in their systems to help with tax returns. However, this option won’t be available to the UK, simply because we continue to maintain our uniquely useless tax year, ending on 5 April.

Time to change our tax year

One of the challenges for government, HM Treasury and HMRC is how to move the UK’s tax administration into the digital age. HMRC operates a huge array of (mainly old) computer systems and probably has the largest volume of individual data of any government department. Our PAYE system benefited from the adoption of real time information a decade ago but using more third-party data to enhance accuracy and reduce taxpayer burdens stalled, at least until the launch of a consultation in April 2023 on Information and Data (see tinyurl.com/2w94xask).

Given that there is growing data exchange globally, it is preferable for the UK to fit into global standards. If it does not, then banks, financial institution and other bodies dealing with the UK end up with the additional costs of having to comply with UK, as well as global, standards. Additionally, if the UK is going to benefit from data received from overseas, it needs to fit in – and that means adopting a 31 December tax year for individuals. At present, the huge volumes of data received under the Common Reporting Standard can only be used to help with tax audits – and even then, many more questions need to be asked as calendar year data does not align with the UK’s tax year.

Elections won’t be won based on changing the UK’s tax year – but our digital future depends on it.