

Autumn Budget 2024
Representation from the Low Incomes Tax Reform Group (LITRG)
Reporting rules for digital platforms – tightening up seller information requirement

Summary

The Government should amend the regulations implementing the OECD’s Model Reporting Rules for Digital Platforms to make the ‘seller information’ requirement more prescriptive so that what is provided is easily understandable and consistent. An HMRC template would help achieve this and we have included an illustration of how this could look. The status quo has real implications for the small business tax gap and HMRC’s customer service function.

Introduction

LITRG is pleased to have the opportunity to make representations in relation to the 2024 Autumn Budget.

HMRC state that small businesses are responsible for 60% of the overall tax gap by customer group and that the share of the tax gap attributed to them has increased over the last 5 years.¹ ‘Small businesses’ encompasses a wide range of entities, but we think will include workers in the gig economy such as in food delivery, couriers and drivers, as well as freelancers and people selling products using online platforms. Their activities can generate levels of income which create tax and/or National Insurance liabilities. However, because they are treated as self-employed by their engagers, they are supposed to settle these liabilities through self-assessment.

Yet those in the gig economy are more likely to be young, migrant and have little experience of the tax system. They are probably unable to afford professional tax advice or assistance. As a matter of economic reality, they may face real difficulties in understanding and dealing with their taxes. As we

¹ <https://www.gov.uk/government/statistics/measuring-tax-gaps/1-tax-gaps-summary#tax-gap-by-customer-group>

will be setting out in a new paper¹, to date, HMRC have not adequately supported this group - neither enabling nor empowering them to be compliant.

An opportunity for the government to intervene to raise sellers' awareness of their tax obligations, and support them to fill in their tax returns correctly, is coming up. From 31 January 2025, certain sellers using online platforms should be sent information about the amount of income earned on the platform in the preceding calendar year, broken down on a quarterly basis². However the current requirements on online platforms in this regard are minimal. As a consequence we think there is a significant chance the information may be indigestible, which will result in the information being confusing or even unread/unactioned.

LITRG therefore recommend that the Government should amend the Regulations which implement the Organisation for Economic Co-operation and Development's (OECD) Model Reporting Rules for Digital Platforms³. Regulation 4 (4) should be far more prescriptive with a view to ensuring seller information is easily understandable and consistent. An HMRC template could go a long way towards landing this approach, and to be helpful we have included a practical illustration of how this could look and some suggested legislative wording.

Without this change, we think the policy intention of helping taxpayers to get their taxes right first time⁴ will not be met. There are two main ramifications for HMRC - 1) likely increased contact from confused sellers at a time when they are at their busiest with the self-assessment deadlines; 2) future compliance work, to the extent that the information is used and applied incorrectly by sellers meaning their tax returns are inaccurate.

Background to our proposal

From 1 January 2024, under OECD rules, UK platform operators have been required to collect and verify certain details of sellers who use their platform. From 31 January 2025, this information must be sent to HMRC. Importantly, the OECD rules require that a copy of the reported information is provided to sellers. This is an important feature of the rules and is intended to help sellers to comply and complete their tax returns correctly⁵. It provides an opportunity for platforms to share incredibly

¹ To be published shortly on our website: <https://www.litrg.org.uk/latest/5?title=Reports>

² As set out here <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim904210>

³ <https://www.legislation.gov.uk/ukxi/2023/817/made>

⁴ See policy paper: <https://www.gov.uk/government/publications/reporting-rules-for-digital-platforms/reporting-rules-for-digital-platforms>

⁵ As set out here <https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim904500>

helpful information and messages with workers about their tax position, at a key ‘teachable’ moment.¹

However, currently the requirements per the regulations are very sparing, simply saying that online the platform must provide the seller with the information sent to HMRC by no later than 31 January.²

HMRC are relying on the platforms to decide how to translate this requirement. However based on our observation that some platforms have a very ‘hands off’ attitude to workers and their taxes, we think there is a significant chance that some platforms may take a very minimal approach to this obligation – even potentially just copying across data in the raw form uploaded to HMRC. This will include some data items that are irrelevant for workers but also unintelligible OECD Sharing and Gig Economy XML Schema headers³, such as TIN, Consideration and Relevant Activity.

If information is presented to workers in an unhelpful, ‘standalone’ way, it is less likely that they are going to understand the significance of, and do something with, it. Alternatively, they may understand they need to do something with it, but do not know what.

For instance, the reports will contain 2024 calendar year information. They are set to reach sellers on or before 31st January 2025 – right at the moment that many will be (or should be) completing their 2023/24 tax return. It is not hard to foresee that some sellers will simply include the 2024 calendar year information in their 2023/24 tax returns, as opposed to understanding that they need to include January – March information in their 2023/24 tax returns and put the April to December information aside until it is time to complete their 2024/25 tax returns.⁴

Our proposal

To make the reports as useful as possible to those workers, we think they must contain the following:

- be clearly labelled and include a brief explanation about its purpose at the top

¹ It is worth noting that not all sellers will need to be reported – for example, those who occasionally sell goods for ‘small’ amounts are excluded.

² <https://www.legislation.gov.uk/uksi/2023/817/regulation/4/made#regulation-4-5>

³ https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/03/model-rules-for-reporting-by-digital-platform-operators-xml-schema_dd723fbd/dd9c663f-en.pdf

⁴ Under the new Basis Period Reform rules self-employed individuals must report their trading information using the tax year – they cannot use a calendar year.

- state **gross income, platform expenses** and **net income** broken down per quarter¹
- indicate that 2024 calendar year information may need to be prorated across two tax returns, given the non-coterminous UK tax year end
- interpret OECD schema language into plain English (for instance, Tax Information Number would normally be National Insurance Number)
- contain contact details of HMRC and links to a gov.uk landing page for gig economy workers
- contain signposts to voluntary sector organisations such as TaxAid or Citizens Advice for further help.

HMRC could be even more specific in terms of the title, format and content of the report by prescribing the use of a template in the legislation. This should be easy to follow, succinct, be a maximum of one side of A4-sized paper when printed and allow for the presentation of key information and messaging 'at a glance'. We have produced an example of what this could look like in Appendix 1. We would like to reiterate that this is just a starter - HMRC should obviously work with relevant stakeholders to develop and finalise any design.

We strongly recommend this requirement is implemented by the inclusion of the following wording in the legislation:

*4) Subject to paragraph (5), where a reporting platform operator must make a report for a reportable period including information in respect of a reportable seller, the reporting platform operator must provide that reportable seller with that information **in a format prescribed by the Commissioners of HM Revenue & Customs** by no later than the 31st January following the end of the reportable period.*

We hope it is clear to see that this approach could really help workers to complete their tax returns correctly, thus improving the tax gap figures for this population and 'future proofing' against unnecessary contact to and work for, HMRC. Standardised statements also make it much easier for HMRC to develop supporting guidance explaining them.

Final thoughts

As HMRC have not yet opened the online reporting portal there is a general lack of preparedness, meaning platforms are still finalising their systems and processes. Incorporating a template requirement would possibly require platforms to extract and convert the data from an XML-file into the template format. However hopefully this would not present too much of a burden to platforms, who by their very nature are technologically savvy and innovative and used to designing and

¹ We have specified this because it seems that at the moment, the platforms only need to report the net amount paid or credited to the seller (after any fees), but then list the fees separately. We think there is also a risk that sellers will not understand how to work out their gross income from this - which is the starting point for a tax return. Indeed, they may even take the net figure as their gross amount and deduct the fees off - thus double counting the fees and understating their income.

implementing at pace. Alternatively, a third party tool could be used. Or HMRC could implement some kind of template rendering tool as part of their online reporting portal service.

As an aside, we note that there do not seem to be any penalties in relation to Regulation 4 (4). We think HMRC should consider whether there will be any consequences for the platform if they fail to meet their obligations to sellers.

Finally we also think that 'must provide' in the wording of the Regulations is not specific enough. Should a hard copy be sent? Is email sufficient? Can this be clarified? In addition, we think there should be a requirement on platforms to ensure, as far as possible, that the information successfully reaches the target recipient.

We would be pleased to join in any discussion relating to this representation. Please contact our relevant Technical Officer, Meredith McCammond, at mmccammond@litrg.org.uk

About Us

The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those who are least able to pay for professional advice. We also produce free information, primarily via our website www.litrg.org.uk, to help make a difference to people's understanding of the tax system.

LITRG works extensively with key stakeholders such as HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the tax system. LITRG also considers the welfare benefits system, and other related systems, to the extent that they interact with tax.

The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

Appendix 1**Seller information – 2024 calendar year****IMPORTANT TAX DOCUMENT**

Please read this information carefully. You may need it to complete any tax returns. Keep it for your records.

Seller name	Bob Brown
Seller address	1 Heathlands Close, London
Seller National Insurance Number	AB123456C

Summary of (Online Platform) activity for 2024 calendar year

	UK tax year	Gross income	Platform expenses	Net income
1 st Quarter (January to March)	2023/24	200	80	120
2 nd Quarter (April to June)	2024/25	860	344	516
3 rd Quarter (July to September)	2024/25	349	139	209
4 th Quarter (October to December)	2024/25	1120	448	672

Notes

- This statement contains a copy of information shared with HM Revenue & Customs
- It will help you understand your tax position. Whether tax is due depends on your total activity, which is not limited to this platform activity, and whether you are trading. For more information on your tax position as a seller of goods or services see GOV.UK: <https://www.gov.uk/government/publications/selling-online-and-paying-taxes>
- If you need to report the amounts shown, you may need to register to complete a Self Assessment tax return if you have not done so already. More information is available on GOV.UK: <https://www.gov.uk/self-assessment-tax-returns>
- If you have a tax adviser, you may want to talk to them about this statement. If you are on a low income, free advice and assistance is available from organisations such as TaxAid and Citizens Advice. You can find their contact details by searching online
- HM Revenue & Customs can provide extra support to you if you need it. For more information about this, go to: <https://www.gov.uk/get-help-hmrc-extra-support>