

HMRC

By email: [thirdpartydata@hmrc.gov.uk](mailto:thirdpartydata@hmrc.gov.uk)

21 May 2025

### **Better use of new and improved third-party data**

The British Private Equity and Venture Capital Association (BVCA) is the industry body and public policy advocate for the private capital industry in the UK. With a membership of over 600 firms, we represent UK-based venture capital, private equity and private credit firms, as well as their professional advisers and investors. There are almost 13,000 UK companies backed by private capital which currently employ over 2.5 million people in the UK. In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024 being located outside London.

Thank you for the opportunity to respond to this consultation. This response builds on some of the themes we drew to your attention in our May 2024 response to the “Cryptoasset Reporting Framework, Common Reporting Standard amendments, and seeking views on extension to domestic reporting” consultation (the “[May 2024 Response](#)”). We have limited this response to the questions that are of most direct relevance to our industry, namely 12, 17, 18 and 19.

#### **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)?**

Whilst this is not a strong area of focus for the BVCA, if taxpayers and their agents have to provide third party data-holders with their NINO and other identifying information, we would urge the Government to ensure that any associated cyber security risks (not just data protection issues) are addressed. Criminals can of course steal identities more easily if they can obtain the name, address, date of birth and also the NINO of taxpayers.

We would also be concerned about the potential repercussions for taxpayers if third parties capture incorrect data, and pass this to HMRC. It will be vital for there to be workable mechanisms for correcting errors once these have been identified by the taxpayer or their agent.

#### **Question 17: What are your views on how the gap between domestic reporting and international obligations under the 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?**

As stated in our May 2024 Response, under current rules, private capital funds structured as limited partnerships are within the scope of the CRS because they are “investment entities” and so are within the definition of a financial institution. For the purposes of the CRS, the “account holders” are the partners in the fund. It is also possible for other entities in private capital fund structures to be classified as financial institutions.

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If the effect of any reform in this area were to have the effect of extending the existing CRS, or elements of it, to domestic reporting, we would urge the Government to exclude UK partnerships from this reform, as this would increase reporting and compliance costs for private capital firms, without any benefit to HMRC.

UK-based limited partnerships are unusual compared with other financial institutions, because they already send HMRC a large amount of information in the form of the partnership tax return. This information is much more useful to HMRC than the information that would be obtained through the CRS or other similar reporting: the figures in the partnership return include information on the type of profit distributed and how this is allocated between partners, while the amounts that would be reported for CRS (or equivalent) purposes would be based on accounts valuations reflecting, for instance, net asset values. An “account balance” for a private capital fund based on an accounts valuation is very different from an individual’s balance in a bank account, and is not relevant to calculating individuals’ tax liabilities.

The information provided in a partnership tax return is highly unlikely to reconcile neatly with the information required under CRS (or a similar form of reporting), as it would be rare for cash payments to partners to equal the amounts on which tax is due. For example, cash payments to partners from a fund could be made net of fees, while for tax purposes it is the gross amount that would be relevant. There may also be differences between the time at which a receipt should be recognised for tax purposes, and the time of the related cash distribution, for instance where the proceeds of the disposal of an asset are paid into an escrow account.

Our concern is that apparent discrepancies between cash distributions and the figures provided on tax returns would lead to the unnecessary opening of HMRC enquiries, with associated costs for both HMRC and the affected taxpayers. The overarching point here is that where the reporting entity is a UK partnership, HMRC already receives better quality information (in the form of the partnership tax return) than it would receive from any equivalent of CRS reporting by that partnership.

**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?**

Currently, individuals and their agents are provided with their dividend information by the company making the dividend payment. This is used to prepare the tax return. While having this information pre-populated could make tax return preparation easier, there may be complications where information has to be collated from multiple sources, as individuals and their agents would have to delete and replace the pre-populated numbers where incomplete collation has led to misleading figures. It is also not clear how HMRC would include dividend or other investment income from overseas. The pre-population would need to show clearly each separate source of income, so that taxpayers can identify any gaps.

Without more detail on how this information would be pre-populated, it is difficult to say whether this proposed approach would result in a meaningful improvement to the current system.

In addition, if this initiative aims to reduce the numbers not currently declaring or paying taxes on dividend income, it is difficult to see how this will be achieved if the system ultimately allows taxpayers to check the pre-populated data and correct it where they deem appropriate. It is not clear why any

abuse under the current system would not continue under the new regime, notwithstanding this change.

**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?**

Typically, an individual working in a private capital firm is provided with a tax pack to prepare their return. They may receive numerous tax packs from firms in which they have worked in the past, pension providers, investment funds, overseas providers etc, and they or their adviser collates the data to complete the tax return. Any system of pre-population would need to be able to accommodate this scenario. It would also need to cater for a situation, not uncommon in a private capital setting, where the entity providing the tax pack is three or four (or more) layers of tax-transparent entities away from the company paying a dividend.

Most taxpayers use advisers or self-serve software to prepare their tax returns, where data can be validated before uploading onto HMRC's website, so it is unclear how a partial pre-population of data would help. If anything, and as stated above, it has more chance of causing confusion and increasing costs for the taxpayer.

Overall, we would strongly advocate for a system of checks and balances to protect the taxpayer in the event that pre-populated data from HMRC contains gaps or errors. Pre-population may be beneficial for very simple tax returns, but with more complex cases, we are not convinced that the advantages outweigh the disadvantages. This is particularly the case for the taxpayer but also, for the reasons we have set out above, for the Government.

Thank you again for the opportunity to contribute to this consultation. Please do not hesitate to get in touch if you have any questions or if you would like to discuss any of these issues in more detail (please contact Rachel Gauke at [rgauke@bvca.co.uk](mailto:rgauke@bvca.co.uk) in the first instance).

Yours sincerely

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