

## Finance Bill 2025-26

### Representation from the Association of Taxation Technicians (ATT)

#### Clause 258: Representation on proposed powers relating to electronic communications and digital contact details

##### Executive Summary

Clause 258 empowers HMRC to require taxpayers to provide and maintain digital contact details.

Failure to comply would attract a penalty of a specified amount not exceeding £1,000.

ATT is concerned that the proposed **£1,000 penalty is unprecedented and disproportionate**, particularly as it could apply to minor administrative oversights such as failing to update an email address. There is **no comparable HMRC penalty for failing to update a postal address**, making this measure inconsistent and unfair. The proposal also risks penalising taxpayers who suffer security breaches. We strongly recommend that the sections relating to penalties are reviewed and reconsidered to ensure proportionality and fairness.

ATT supports HMRC's move towards digital communication but warns that excluding two-way communication and agent access could reduce stakeholder engagement.

We welcome the right of taxpayers to opt out of digital communications. However, if this is limited to those who are digitally excluded and does not include those who wish to use an agent, this creates a risk that vital messages will be missed.

We recommend that careful consideration is given and full consultation entered into before any powers are enacted, to avoid unintended consequences or security risks.

We also recommend that as new online services are introduced, full agent access is permitted and also that clear processes for personal representatives are in place.

#### 1. Background to changes introduced in Finance Bill 2025-26

- 1.1. The proposed legislation would enable HMRC to deliver outbound correspondence digitally by default, with taxpayers, in certain cases, retaining the right to opt out and receive paper communications.
- 1.2. A statutory requirement will apply for taxpayers using HMRC's digital services to provide valid digital contact details (such as an email address or mobile number) at certain interaction points, for example, when filing annual tax returns. Taxpayers who fail to provide these details will be unable to complete the online process.
- 1.3. Failure to supply HMRC with digital contact details or failure to notify HMRC of a change to digital contact details could result in penalties of up to £1,000 (clause 258 s2(b)).
- 1.4. The digital contact details supplied would be used to notify taxpayers of new digital correspondence.

- 1.5. This will be a gradual transition with services moving forward when they meet the readiness criteria.

**2. Key concerns regarding the proposed change**

- 2.1. A £1,000 fixed penalty for non-compliance is disproportionate for minor or first-time failures.
- 2.2. There is currently no HMRC penalty for failing to update a postal address despite this being a long-standing requirement. Introducing a severe penalty for digital contact details creates an inconsistency in treatment and raises questions about fairness. The only vaguely similar example is DVLA's power to impose a penalty of up to £1,000 for failing to update driving licence details. We understand that penalties are rarely enforced in practice.
- 2.3. If a taxpayer suffers a security breach or hacking incident, it can take weeks or months to restore secure access and create new contact details. Penalising taxpayers during such periods adds stress and financial burden at a time when they are already vulnerable. Moreover, the Finance Bill does not specify any timescale within which notifications of digital contact details or changes to such details must be made.
- 2.4. Other tax-related penalties, such as late filing or late payment, often start at lower amounts and escalate only for repeated or serious breaches. By contrast, this proposal introduces a potentially high penalty for a first-time administrative failure, which is inconsistent with HMRC's usual approach of encouraging compliance through education and proportionate sanctions.
- 2.5. Many taxpayers rely on agents, such as accountants, bookkeepers or payroll bureaux, to deal with their reporting obligations. The taxpayer may set up a digital tax account in order to authorise an agent but from that point onwards they may be unwilling to interact digitally and would expect their agent to handle all tax matters. The current drafting assumes direct HMRC to taxpayer communication and risks vital messages being ignored as the taxpayer will assume that their agent it is dealing with them.
- 2.6. There is also currently no clear process for suspending obligations or transferring responsibility and access to personal representatives when a taxpayer dies. This could again result in vital messages being missed.
- 2.7. Recent HMRC data breaches raise concerns about storing and using digital contact details securely. Taxpayers will require assurance that their details are being stored securely and will require a route to enable them to report if their email has been hacked. As new digital services are introduced, and following any software updates, systems should be thoroughly tested to ensure that new security vulnerabilities have been introduced.
- 2.8. Limiting communication to a one-way channel from HMRC to taxpayers creates an imbalance and could significantly reduce engagement. Modern digital services are expected to be interactive, allowing users to respond, clarify, and manage their affairs efficiently. A two-way portal system, ideally with agent access, where applicable, would also enhance trust and user experience. When HMRC can send electronic messages, but taxpayers or their agents are forced to respond through slower, less convenient channels, it introduces friction and frustration. This gap undermines the efficiency gains of digital transformation and could lead to increased errors, delays, and dissatisfaction.

### **3. Recommendations**

We recommend that the following steps should be taken:

- 3.1. The proposed £1,000 is unprecedented and disproportionate. It risks penalising taxpayers for minor administrative oversights, such as failing to update an email address, even where tax obligations are otherwise met. There is no comparable HMRC penalty for failing to update a postal address, making this measure inconsistent and unfair. We strongly recommend introducing a lower maximum penalty, a soft landing period, a reasonable time limit (we suggest 90 days) in which to notify changes and clear reasonable excuse provisions.
- 3.2. Introduce clear provisions for deceased taxpayers and digitally excluded individuals. In the case of deceased taxpayers, HMRC should move immediately to postal communication upon notification of death.
- 3.3. Allow agents access to secure digital messaging to enable them to act on their client's behalf. This could perhaps be done via client specific area in the Agent Services Account.
- 3.4. As new digital services become available, full consultation and sandbox testing of systems should take place to ensure no new security vulnerabilities have been introduced.
- 3.5. A two-way communication portal should be a priority rather than wasting resources on a stop gap one way messaging system.

**Association of Taxation Technicians**

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**Contact for further information:**

**George Crozier, ATT Head of External Relations**

[gcrozier@att.org.uk](mailto:gcrozier@att.org.uk); 020 7340 0569

**Note:**

**The Association of Taxation Technicians**

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 over 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