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CONSULTATION: REPORTING COMPANY PAYMENTS TO PARTICIPATORS - MODERNISING THE REPORTING FRAMEWORK

Response by Association of Taxation Technicians

1 Introduction

1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the HMRC consultation on 'reporting company payments to participators – modernising the reporting framework' ('the Consultation') issued on 19 March 2026¹. We also found it helpful to attend a HMRC roundtable session on 7 May 2026 regarding the key points raised in the consultation.

1.2 The primary charitable objective of the ATT is to promote the education and 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.

We received feedback in relation to the consultation from our members in practice directly and we also held sessions where our members could indicate the likely impact the consultation proposals would have on their practice and their client base.

1.3 The ATT has submitted its response to the Consultation using the online form². For reference, the content of our response is reproduced below.

1.4 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 9.

¹ <https://www.gov.uk/government/consultations/reporting-company-payments-to-participators/reporting-company-payments-to-participators-modernising-the-reporting-framework>

² <https://forms.office.com/Pages/ResponsePage.aspx?id=PPdSrBr9mkqOekokjzE54VaTapZfNCBPvNMJmGjX39ZUNVhBMzdBWU0yVFRGRFdLTDJSSEpFOU0xSi4u>

2 Current context

2.1 Question 1: Is the close company definition well-understood in the small company population? Are companies always aware whether they are close?

- 2.2 This will often depend on whether the company and its director(s) are represented by an agent such as an accountant or tax adviser, or are unrepresented. Where a company is represented, it is likely that its agent will make the directors aware of the application of the close company rules where they are applicable.

The understanding of the close company definition by unrepresented companies will vary depending on the level of financial awareness of their directors, but will in general be lower than that of companies with agents.

2.3 Question 2: Are the loans to participators rules well-understood in the small company population?

- 2.4 This will generally vary depending on the length of time the company has been incorporated and whether the business previously traded as an unincorporated entity.

Where a business trades as a sole trader or partnership, the tax treatment of any personal transactions is less relevant and can be simply adjusted in the business tax computation. When that business later incorporates and operates via a company, it can be difficult for the directors/shareholders to make the distinction between company transactions and personal transactions. They may also be unaware of the need to declare dividends rather than taking drawings from the business.

As noted above, where a company is represented, it is likely that its agent will advise the directors of the relevance of the loans to participator rules. It is common practice for any personal transactions to be either posted to the director's loan account when the company accounts are prepared by the agent (if not already so treated) or taxed as a benefit in kind under the employment income rules.

2.5 Question 3: Do small companies have a good understanding of relevant corporate law? For example, about when it is permissible to issue a dividend.

- 2.6 Where a company is represented by an agent, its director(s) are likely to rely on professional advice in terms of applicable law. Reputable agents would be expected to give appropriate advice on when and how dividends can be legally declared and the appropriate action to be taken in respect of any dividends subsequently found to be unlawful if insufficient distributable reserves are available to cover any dividends declared. In no circumstances should a dividend be backdated.

Knowledge of relevant corporate law by companies not seeking professional advice is likely to vary depending on the experience and expertise of the director(s). We have received feedback indicating that company directors based outside the UK are generally less well versed in relevant corporate law and any related accounting and tax requirements.

3 Current reporting requirements

3.1 Question 4: Do small companies typically receive support from tax advisers or accountants with understanding their tax obligations and completing their tax return? If so, at what stage would the adviser be engaged, and what level of support is offered?

- 3.2 Some small companies will use advisers, but there will be others who either choose not to use, or cannot afford to use, a tax adviser or accountant.

Small companies who use a tax adviser or accountant are likely to rely on their advice to help comply with their tax return obligations and related disclosures. This would at the very least be as part of the year-end accounting and tax return preparation process, but there may be other cases where a tax adviser or accountant would be involved with ongoing bookkeeping and data entry. In other instances, a bookkeeper may support with the preparation of the company's accounting records.

It would generally be expected that an accountant preparing the year-end financial statements would review the transactions alongside the company directors, in order to identify any personal transactions. Where these are not already recorded in the director's loan account or taxed as a benefit in kind under the employment income rules, the necessary journal entry would then be incorporated into the financial statements to reclassify any personal transactions appropriately.

Increased compliance burdens may lead some businesses to reduce their use of professional advisers, potentially resulting in lower-quality reporting and an increased risk of error or non-compliance.

In some cases, company directors may only view the role of the accountant to prepare year-end figures for reporting purposes, and not to be there for advice during the accounting period. Where that is relevant, they may not consider raising questions outwith the year-end process.

3.3 Question 5: Other than by engaging tax advisers, how else do companies find appropriate guidance or advice on these subjects?

- 3.4 Companies who do not engage tax advisers are likely to conduct independent research online or use social media platforms for information. This could include reputable sources such as the HM Revenue and Customs or Companies House websites or a professional body, but may also include other unverifiable sources.

Artificial intelligence (AI) may also be consulted, although the effectiveness of AI may depend on the nature of the technical query.

3.5 Question 6: What challenges do tax advisers currently encounter in this space when handling company records and preparing returns? Are there examples available of 'good' or 'bad' client workflows?

- 3.6 This will vary between client and between the sectors in which the company operates. Accountants and tax advisers rely on the information provided by their client as the basis of the accounting treatment taken – where this is incorrect or misleading, this could lead to an incorrect treatment of a particular item.

4 Policy proposals

4.1 Question 7: What data do close companies currently keep about their transactions with their participators? How do companies currently keep track of Director's Loan Accounts?

- 4.2 Transactions with participators will generally be recorded in the company's accounting records. Where those records are maintained internally, it is possible that transactions with participators may not correctly be recorded during an accounting period. This may be particularly the case where the close company has previously operated as a sole trader or partnership.

As noted above, the position is normally reviewed as part of the company's year-end accounting processes. Transactions with participators that are not already recorded in the director's loan account or taxed as a benefit in kind under the employment income rules can then be correctly recorded in the company's financial statements.

4.3 Question 8: How often do companies collect or collate this data? For example: daily, weekly, monthly or on an as-and-when basis. If infrequently, what safeguards are in place to ensure that all transactions are captured in the records?

- 4.4 In practice, this depends on the size of the company and the extent there is the relevant expertise to do so in house. It will also be impacted by the frequency that financial information is required by internal and external stakeholders, including the company's bank. Companies who are VAT registered are likely to bring their accounting records up-to-date more promptly in order to submit VAT returns to HMRC, which would include the initial treatment of transactions with participators. This would then be subject to any accounting adjustments as part of the preparation of the year-end financial statements.

4.5 Question 9: How many separate transactions might occur annually in an average close company in relation to a single participator?

- 4.6 This will vary between companies, but feedback from our members would indicate that in some cases this can extend to thousands of transactions per year. As such, the response from our members to our request for feedback on the proposed additional reporting requirements was overwhelmingly one of concern over the practical impact of the level of detail that HMRC is seeking.

This will have a material impact on the cost of compliance, which in some cases will result in companies replacing their accountant/tax adviser with another (potentially less reputable) accountant/tax adviser or choose to be unrepresented. Both outcomes are likely to increase the level of error by small companies compared to what would otherwise be the case.

There is also a risk that large volumes of granular data could reduce, rather than enhance, HMRC's ability to identify non-compliance if not supported by appropriate systems and analytical capability.

4.7 Question 10: What is the general size and frequency of these transactions?

- 4.8 Given the number of transactions with participators annually can extend from one to thousands per year, this has an impact on the frequency of transactions, which could be annual, monthly, weekly or even daily. Transactions are likely to include a range of sizes, but in many instances will be very minor transactions.

As such, should granular level reporting be sought, we would suggest that the government gives consideration to include a de minimis level below which trivial transactions with limited tax risk need not be reported.

4.9 Question 11: How many participators might an average close company be undertaking transactions with?

4.10 This will vary between companies. However, as the definition of a close company could include as many as five participators or any number who are also directors, the scope of the reporting requirements could be significant, especially if transactions with associates³ were included.

4.11 Question 12: Are there any categories or types of participators, or types of transactions themselves, where it may not be practical or beneficial to provide details to HMRC?

4.12 Including transactions with corporate participators would appear to be unnecessary and it is unclear what the benefit of including corporate participators in the scope of any additional reporting would be.

Several capital transactions, including the dissolution of companies with reserves below £25,000⁴, have no tax effect so we would question the merits of including reporting on such payments. HMRC would also need to consider the position of companies in liquidation in any reporting regime.

4.13 Question 13: How, and to what extent, are company and personal records currently aligned?

4.14 Where there is a tax implication for a director/shareholder, this would typically be declared to HMRC as employment income or taxable benefit in kind. There is not necessarily a more formal 'alignment' beyond what may be reported on Forms P60 or P11D (until the mandatory payrolling of benefits in kind commences from April 2027). Where a company's year-end is not coterminous with the tax year, it is difficult for comparisons to be made between what is reported to HMRC and what is included the company's accounting records.

We do not feel there is any need for additional alignment, given the impact and cost/admin burdens that this would have for those companies who are compliant. The additional disclosures in the SA102 pages⁵ of a director's tax return from April 2025 have already proven burdensome and created additional costs for taxpayers, without creating sufficient justifiable benefit for HMRC in terms of supporting compliance activity. The obligations imposed by the SA102 disclosures has been a source of great frustration for our members in practice, greatly increasing the level of disclosure even where there is no tax payable.

In addition, the lack of relevant HMRC guidance on the SA102 disclosures has been unhelpful. We would therefore strongly encourage any further changes to disclosure requirements for close companies to be supported by full guidance in advance of mandation.

5 Provision of data**5.1 Question 14: How are these records currently kept?**

5.2 For VAT registered businesses, the accounting records will generally be kept using digital accounting software in order to comply with the requirements of Making Tax Digital for VAT unless the company is exempt. Other companies may use other methods such as spreadsheets or manual accounting records, depending on the size of the business and the complexity and frequency of its transactions.

³ [Section 448 Corporation Tax Act 2010](#)

⁴ [Section 1030A Corporation Tax Act 2010](#)

⁵ [The Income Tax \(Additional Information to be included in Returns\) Regulations 2025](#)

5.3 Question 15: Do software products currently used by companies to prepare their accounts or tax return contain any functionality to help keep track of transactions such as shareholder loans, or possible charges under the loans to participators regime?

- 5.4 Where digital accounting software is maintained, it will generally be possible to use the software to record and track any transactions with shareholders. However, the effectiveness of this is dependent on the quality and timeliness of the information entered.

For example, where it is unclear whether a transaction is with a participator or such a transaction appears to be a routine commercial transaction for the company, this might not necessarily be identified by the accounting and tax return software being used.

Any additional software functionality to help comply with additional reporting requirements is likely to increase costs of compliance for companies.

Any new requirements should also be introduced with adequate lead time, including a pilot or phased implementation, to allow software providers, advisers and businesses to adapt systems and processes.

5.5 Question 16: What would be the preferred way to transfer the required information to HMRC?

- 5.6 As noted below, we have significant concerns about the administration burden the proposed requirements will place on companies and the costs of compliance. Any requirement to report in real time during the accounting year would impose a disproportionate burden and financial costs, especially for those companies who rely on their accountant or tax adviser to review their transactions as part of the company's year-end accounting processes to ensure that they have been correctly recorded.

We would therefore strongly recommend that real time reporting is not required, especially for those close companies operating below the VAT registration threshold, who would experience a significant additional administration burden.

The CT600A supplementary pages have been suggested as one potential route to transfer the required information to HMRC. We have concerns about the ability for returns to cope with potentially thousands of transactions, increasing the length of Corporation Tax returns significantly.

5.7 Question 17: Do you expect this to cause any additional administrative burdens for your business? If so, how could they be minimised or removed?

- 5.8 Given the potential level of transactions to be included, the additional reporting requirements are likely to create a significant additional administrative burden for most companies. For those companies that are already compliant, it will increase their costs of compliance with zero benefit to them. Companies that are deliberately not compliant with the existing requirements for close companies are unlikely to comply with any additional reporting requirements fully and accurately, so the benefits in terms of reducing the tax gap should not be overstated.

Furthermore, as noted in our response to question 9, some companies may respond to increased costs by replacing their accountant/tax adviser with another (potentially less reputable) accountant/tax adviser or choosing to be unrepresented. Both outcomes are likely to increase rather than reduce the level of errors made by small companies.

As an alternative, HMRC could consider disclosure requirements similar to those previously required under accounting standards in respect of transactions with participators. This could include aggregate amounts for smaller transactions and specific disclosure of items above a certain amount. This would avoid the need to disclose potentially thousands of transactions to HMRC, which may be difficult to analyse.

5.9 Question 18: In what circumstances might it be difficult for companies to provide identifying details of participators?

- 5.10 Where the participator is not employed by the company, it may be challenging to obtain the relevant details of the participator if they live outside the UK, do not have a National Insurance number or are not represented by the same agent who looks after the company.

6 Repayments, releases and write offs

6.1 Question 19: Do you have a view on the relative administrative impact of this suggestion?

- 6.2 We do not have any particular concerns with the proposal to extend the reporting requirements for repayments, releases and write offs of loans subject to Section 455 tax. As is noted in the consultation, this will allow HMRC to identify where relief is due to the company and where Income Tax charges may be due to the participator. Any such change would need to be able to take account of the fact that loan balances may fluctuate, with Section 455 tax exposure arising at different rates.

Alongside this, we do, however, regularly receive feedback from members about the timeliness of refunds of Section 455 tax paid⁶ when loans are repaid or released and the ability of HMRC to offset a refund against the Corporation Tax liability due on the same date as the Section 455 repayment. Companies reducing their Corporation Tax payments to take account of Section 455 refunds can often find themselves subject to debt management procedures when there is no tax payable after the offset of the refund.

We would encourage HMRC to explore the inclusion of a box on Form CT600 and/or Form L2P to allow a company to indicate whether it would like the refund of Section 455 tax paid to be offset against its Corporation Tax liability for the year. This would reduce the need for a company or its agent to contact HMRC to pursue Section 455 tax repayments and unnecessary referrals to HMRC's debt management team.

7 Penalties

7.1 Question 20: Do you anticipate any issues with the application of the normal CT penalty regime to this requirement? Can you see any scenarios where a more bespoke penalty regime might be more appropriate?

- 7.2 Assuming that any proposed additional reporting requirements are via the annual Corporation Tax return, we do not envisage the need for a more bespoke penalty regime beyond the existing Corporation Tax penalty regime in place. Should HMRC adopt a more frequent reporting obligation, which we would not support, further consultation may be needed on whether a more bespoke penalty regime is necessary.

⁶ [Section 458 Corporation Tax Act 2010](#)

8 Question 21: Are you responding to this survey as:

- a business
- a representative body
- an agent
- an individual
- other (please provide details)?

8.1 We are responding to the consultation as a representative body.

9 Contact details

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

The Association of Taxation Technicians

10 Note

10.1 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.