

Insights

FINANCIAL INSTITUTION NOTICES ARE A CONCERNING EXTENSION TO HMRC'S CIVIL INFORMATION ARMOURY

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SUMMARY

From 2021, the UK's tax authority, HMRC, gains new powers to require financial institutions to provide banking information about taxpayer clients without prior permission from the courts. This is concerning as the ever-growing compliance burden on financial institutions looks set to increase.

As part of a package of measures to strengthen HMRC's civil information powers, HMRC has recently confirmed that it will proceed with its plans to introduce a Financial Institution Notice ("FIN") with effect from 2021.

The issue of a FIN will enable HMRC to formally require a financial institution to provide banking information, including bank statements, transaction information and KYC information, about specific taxpayers. This represents a significant extension to HMRC's existing powers to request information from third party financial institutions about their customers.

The UK government has made clear that its primary motivation for introducing the FIN is to accelerate the time HMRC takes to deal with international exchange of information requests. It will be interesting to see how often HMRC uses its new powers, whether the introduction of the FIN will lead to further requests for information from international tax authorities, and the extent of the compliance burden this will inevitably place on financial institutions.

Kate Ison wrote about this in our Emerging Themes in Financial Regulation 2021 publication.

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