Making Tax Digital survey results

General Features | Indirect Tax

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We recently closed our Making Tax Digital survey and have set out below some of the findings. We will be taking the time to analyse the results, and make them more widely available (including to HMRC) over the coming weeks.

We received 1,091 responses to our recent Making Tax Digital (MTD) survey, with over 55% of responses coming from agents in smaller practices. The survey sought feedback on experiences of MTD for VAT, both positive and highlighting concerns, as well as views on the future of MTD for other taxes. The results of the survey are being used to prepare a Budget representation and a submission to HMRC. The aim is to help inform and improve any future roll out of MTD by HMRC for all concerned; taxpayers, their agents and HMRC.

Budget representations must be completed by 7 February so that they may be considered before the Budget on 11 March, so it was unfortunate that we were unable to extend the survey deadline to give the deferred group of VAT registered taxpayers (VAT groups, charities, etc.) the opportunity to submit their first VAT return via MTD for VAT. We also appreciate that we have had to run the survey during the Self Assessment peak, so we very much appreciate the time taken by respondents to provide this valuable feedback.

The survey looked at a wide range of MTD issues. We have set out brief highlights of interest below. More detail will be available in due course.

Impact of MTD

There have been ongoing messages from HMRC, politicians and software providers that MTD will make it easier for taxpayers to account for their tax, which have included examples of improved productivity and a reduced error rate. For productivity in-house or within practice, 14% (112 respondents) of those who provided an answer reported increased productivity, 31% (243 respondents)

reported there was no difference, and 55% (438 respondents) reported a small or significant decrease in productivity. There were similar trends reported by agents for their clients' experiences.

In relation to errors, 11% (62 respondents) noted a decrease in client errors, 72% (400 respondents) noted no difference and 17% (95 respondents) noted an increase in errors. It will be interesting to revisit this in future surveys to see if the overall picture falls closer to HMRC's expectations.

Costs of MTD

In HMRC's initial assessment, they estimated that the average cost of implementation for MTD for VAT would be £109. Of those who answered the question, 64.7% of respondents (455 responses) reported that their implementation costs were 'over £109 but under £1,000', while 11.7% (82 respondents) had costs of over £5,000. Less than 10% (66 respondents) reported incurring costs of £109 or less, supporting our long held view that the original HMRC costings for implementation were too low.

A similar picture arose in relation to ongoing costs, with just 8% (55 respondents) estimating annual costs of £43 (HMRC's average) or less. Agents also reported significant, unrecoverable time costs in assisting clients to comply with MTD for VAT.

Exemptions

We had 58 respondents who had applied for exemptions from MTD, either for themselves or for clients; 67.2% (39 respondents) had a 100% success rate for their applications. The majority of respondents found the process not difficult, though in the free form feedback there were issues experienced by some respondents, which were mainly a lack of knowledge among the VAT helpline staff they dealt with and HMRC's turnaround time for applications.

The Agent Services Account (ASA)

Of the 411 agents who responded that have set up an ASA, 61.8% (254 respondents) had found the process somewhat or very difficult. There were similar trends for experiences of linking the Government Gateway to the ASA, signing up new clients and authorising new clients. In the freeform feedback comments, the most common message was that the ASA was difficult and confusing to use.

Digital links

The results for digital links were mainly positive, with 88.2% of non-agents (232 respondents) either ready with digital links in place or due to be ready by the end of the soft landing period, and this increased to 95% (422 respondents) for agents. However, 7.8% of respondents (51 responses) will need to apply for an extension to the soft landing period and it was noted that for those having difficulties, there were reports of significant time and costs to meet the obligations.

The future of MTD, including the rollout to other taxes

When considering which taxpayer population should be mandated next, most respondents selected corporation tax for those already mandated for MTD for VAT as their first or second choice, followed by those who are voluntarily registered for VAT. MTD for income tax was the least popular choice to be mandated next. For all taxpayer populations, respondents wanted long lead-in times for further mandation, with April 2025 supported by a two year pilot period being the most popular response in all scenarios, though many respondents suggested a longer pilot.

Our budget representation will contain fuller details of the survey feedback and will be available on the CIOT website once published (https://tinyurl.com/yca7lms3).