Welcome to the September Technical Newsdesk

Welcomes

07 September 2021

The CIOT, ATT and LITRG recently (11 August) joined other professional bodies at the Representative Bodies Steering Group meeting with senior HMRC personnel. At these meetings, we discuss topics of particular interest to the agent community. HMRC performance levels are a standing agenda item and I have discussed this in previous introductions. (Needless to say, we welcome continued feedback from members in this area as it informs our discussions with HMRC.)

We also have a regular topic of 'horizon scanning', where we look at pressures on the agent community and consider what is ahead. It is this area that I would like to discuss this month – not least because it was led by me and Caroline Miskin from ICAEW.

My concerns in this area were heightened after reading the recently published research report Impact of Making Tax Digital (MTD) for VAT (see tinyurl.com/twcfep9x). Two of the findings particularly caught my attention:

1. 65% of businesses discussed the changes with an accountant or bookkeeper. Considering that around a million businesses would have joined MTD for VAT by the time of the research (late 2020), that's around 650,000 conversations with agents.
2. 41% of self-employed (that is those within the scope of MTD for Income Tax Self-Assessment (ITSA)) increased their use of agents since the introduction of MTD.

Reflecting on this, and focusing solely on the future roll-out of MTD, the horizon looks challenging:

- Voluntarily VAT registered businesses will have to comply with the MTD requirements from April 2022 – this could be up to another 700,000 businesses. Will a similar proportion need to discuss the changes with an accountant or bookkeeper?

- MTD for ITSA is scheduled to commence from April 2023 – potentially bringing in over 4 million unincorporated businesses. Everyone (including HMRC) recognises that MTD for ITSA will be more difficult to ‘land’ than MTD for VAT.

Over the same timescales, we also have the proposed changes to basis periods, and there are other ‘bigger picture’ issues likely to come, such as renewing 64-8 authorisations, changes to accessing HMRC’s digital services, and so on. We query whether agents will have the capacity to cope with the extent and pace of change. We also worry whether HMRC will be able to cope – call volumes and waiting times significantly increased when MTD for VAT was introduced. Will HMRC be adequately prepared to deal with an even greater quantity of contact in respect of MTD for ITSA?

So, what can we do about this? Well, slightly pre-empting what we might say in our response to the basis periods consultation, something must give. This might be a deferral of the transition to the new tax year basis, or the introduction of MTD for ITSA, or both. We are also looking to work with HMRC and other professional bodies to develop a ‘roadmap of change’ so that we can all have an awareness of the ‘bigger picture’ – the tax policy and operational changes that are coming down the road – to try and ensure that everyone has sufficient capacity to deal with them.

Of course, our input and that of other professional bodies is only influential. However, the more closely we work with HMRC on these issues, the more chance we have of making the road ahead slightly less bumpy.