Round up of engagement on Making Tax Digital

General Features | Indirect Tax | Personal tax

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CIOT, ATT and LITRG continue to engage with HMRC on Making Tax Digital, both in relation to VAT and income tax.

A round up of recent activity and engagement with HMRC

There was a time when you could not turn to Technical Newsdesk without seeing an article on Making Tax Digital (MTD). Such articles have been less frequent recently, and we want to reassure readers that this is not due to a lack of action on our – or HMRC's – part.

VAT

MTD for VAT became mandatory for 'voluntary' VAT registrations from their first VAT return period starting on or after 1 April 2022. In our March issue, we highlighted the VAT sign up illustration (tinyurl.com/5y5mjtsy) to help businesses and agents sign up for MTD for VAT at the right time.

We continue to work with HMRC to encourage compliance with the MTD requirements, particularly regarding around 10% of those businesses mandated in April or October 2019 that still have not signed up, as well as HMRC's future plans to close the VAT submission portal.

Income tax

We continue to meet with HMRC, both on an ad hoc basis, and through regular engagement groups.

The MTD Advisory Forum, comprising HMRC, professional bodies and agents, meets on a quarterly basis as part of a cycle of engagement which HMRC undertake with professional bodies, large agent firms and software developers. The Forum also does occasional ‘deep dives’ into specific issues, and recently we discussed the income types in scope of MTD and whether they count towards the £10,000 threshold, focusing on qualifying care relief, rent a room, and the trading and property allowances. The ATT’s technical article (tinyurl.com/msksmnh5) provides a helpful explanation of the key points. The Forum has also looked at HMRC’s proposed communications around taxpayers’ obligations.

The MTD Digital Implementation Forum comprises HMRC, professional bodies, agents and software developers, bringing together all stakeholders into one meeting to discuss cross-cutting issues. During these meetings we have discussed the forthcoming MTD for Income Tax Notice, progress on the pilot, the new ‘Update and Submit an Income Tax Return’ service (which will eventually replace the current self-assessment model), choosing MTD software and HMRC’s communications plans. We also recently had the first ‘sub-working group’ meeting of this forum, which gave us the opportunity to provide feedback on information packs which HMRC are developing for those agents, taxpayers and software providers who may be interested in joining the MTD pilot.

It is fair to say that in both forums, views were freely aired concerning the uptake of the pilot, the lack of general awareness, and the large number of outstanding questions and concerns.

Separately, we have also discussed with HMRC the need for a road map or timeline, outlining the steps necessary to get to a successful implementation in April 2024. Earlier this year, we submitted a timeframe outlining what we believe should be the milestones in the rollout of MTD, including publication of guidance, software availability and status of the pilot. HMRC have been discussing these milestones with us and providing updates. The hope is that the submission of our timeline, along with these ongoing discussions, will lead to HMRC producing a timeline of their own. This will help answer many of the outstanding questions and act as a catalyst in prompting necessary action by agents or their clients.

Save the date

There is still a lot to be thrashed out over the summer months. In the expectation that the MTD for Income Tax Notice will have been published, and the pilot firmly under way, we will be running an MTD webinar on Thursday 22 September. Watch this space for more information.

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