ATT Welcome, February 2016

Welcomes

01 February 2016

End of the tax return is nigh!

What will be the impact on our members when the tax return as we know it finishes in the tax year 2020–21?

That is the question that we at ATT head office and I, during my presidential year, want to try to answer: to help our members mitigate the financial impact of the loss of revenue and help them reshape their business to maximise the opportunities.

Of course, not everyone is convinced that the government will deliver on its grand statement that tax returns are to become things of the past. I've read plenty of articles and heard plenty of opinions suggesting that the timescales are unrealistic, with some questioning whether the project will ever come to fruition. It wouldn't be the first time a large government IT project has failed to deliver. Nevertheless, I believe this project will be delivered. Like any good business plan there may be slippage and I suspect some of the deadlines may not be achieved. But HMRC and ministers are, in my view, now irreversibly committed to digital transformation – not least in that they are already factoring in the financial savings they count on it making. So it is essential for tax professionals to realise this, to understand what is proposed and to appreciate the fundamental impact this will have on many business models.

The press release setting out the timetable for 'making tax digital' was issued by HMRC on 14 December 2015. It followed the launch of HMRC's well-publicised cost-cutting exercise in which 137 local tax offices will close by 2019–20. The digital revolution is intended to make HMRC more efficient, culminating in the digital personal tax account using live feeds from a range of sources to ensure tax affairs can be viewed in real time. More regular online reporting by business will speed tax collection and there should be fewer errors. All this will culminate with the end of the

tax return as we know it in 2020–21.

The press release and vision sets out four key foundations:

1. tax simplification;
2. tax all in one place;
3. making tax digital for individuals; and
4. making tax digital for businesses.

Tax simplification

HMRC explains that it already receives a large amount of information from many sources; banks, building societies and employers, for example. But this information is held on separate standalone systems. Tax simplification will bring together this information and remove the need for it to be reported in a self-assessment return.

It is believed that this will reduce the number of penalty notices and interest charges, helping HMRC and our clients.

The expectation is that our clients will manage their own tax affairs online.

Tax all in one place

The vision sets out that clients will also be able to view National Insurance, VAT and corporation tax in their digital account and one payment will settle all tax liabilities and offset any tax owed.

This is proposed to be in place within five years, a challenging timescale.

Making tax digital for individuals

By April 2016, every individual will have access to their own digital account.

The proposal is that HMRC will be able to target prompts and advice to our clients through secure messaging. The example given to us is that they will prompt a client as they approach retirement age and tell them what they need to do.

The guidance also explains that there will be a range of digital support for those who need it.

Making tax digital for business

By 2020 most businesses, self-employed people and landlords will be required to keep track of their tax affairs and update HMRC at least quarterly through their digital account. These changes will be introduced for some businesses from 2018.

The expectation is that our corporate clients and landlords will use software and apps which will be available free.

At the ATT we are well aware that this fundamental change to the way the tax profession and the public will manage tax affairs will have an impact on all of us.

We have set up a working party of a wide range of tax professionals to liaise with HMRC during the consultation. We will endeavour to communicate to our members through a wide range of media to help you embrace the digital revolution and understand the changes you need to make. We will also review the impact on our exam structure to see what needs to change for our students and future members.