President's page, August 2016

Welcomes

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The digital transformation

Over the past few weeks I've had the opportunity to listen to a number of discussions on the digital transformation taking place in the UK. Some of us will recall the introduction decades ago of personal computers into our business – and now, of course, our schools. Just ten years ago the arrival of the iPhone signalled the arrival of the connected world in our hands. Those of us in cities and towns can access information, find our way around, buy stuff, communicate with colleagues, family and friends.

What we may not instantly see is the massive network behind our personal computers, tablets and smartphones. This network seems to be on the brink of making major changes to our tax world – and the challenge for tax professionals, wherever we work, is to help taxpayers adapt, as we must adapt ourselves.

HMRC is in the middle of transforming its own management of data. We remember the creation of the UK-wide PAYE system from 13 regional systems, no doubt appropriate for the time they were put in place. The creation of the NPS wasn't smooth – but surely it seems inconceivable today that our tax authority should not have a single database of individuals. Only with that single database can the tax authority combine income sources to make sure that individuals pay the right amount of tax and receive the right level of benefits.

In a tax system which has been designed to minimise the need for individuals to provide information personally, the digital economy means that new intermediaries will need to take on the information burden. Banks have provided interest income data for a long time, but now need to provide that data in smarter form, so it is possible to integrate it better into the central databases. Platforms now sell us billions of pounds of goods and services – and we should expect that they will carry

the obligation to provide significant data on suppliers to tax authorities globally. Potentially registrars may need to provide dividend data and perhaps charities could be asked for gift aid details.

Making Tax Digital – which hasn't been launched as I write – is designed to pick up two areas where major data providers cannot help. There's no simple way for HMRC to receive details of rental properties – albeit that letting agents could be a partial source. In the digital today and future of the tax system, data uploads from landlords are essential. It's the same for Britain's 5 million micro and small businesses. Our job as tax professionals will be to help make that data management process as smooth as possible – and see whether there could be business benefits from using that digitised data. Naturally we hope that HMRC will listen to a wide range of comments when the six papers are released, such that the new approach is implemented successfully.

At the recent Wyman debate, past president Chris Jones asked us to imagine changes to the tax system to make digital filing easier. 'Big data' could lead to tax advice being given in a different way, where long-standing concepts are changed to work better in a digital world. It's not too hard to imagine accounting systems offering advice on, say, whether to seek voluntary VAT registration, or recommending fixed asset purchases before a year end.

HMRC are already using data to focus its compliance activities; this will only increase. Data could help in much better tax policy making. It will in time be much easier to work out the impact – and benefits–of a new policy and focus changes on those who will benefit. One possible outcome could be an increase in means-testing so that potentially expensive benefits are delivered only to those who actually need them.

All of us, wherever we work, will need to become more familiar with the digital agenda, as it will shape what we do over the next decade. Training in new technologies will be essential and there will be a need for new technology skills alongside traditional understanding of business and tax interpretation. Data and digitisation is a significant business challenge for everyone in tax.

Ministerial changes

Many congratulations to the Rt Hon David Gauke, who has been promoted by Prime Minster Theresa May to Chief Secretary to the Treasury. He has also been invited to join the Privy Council. David has served as ‘tax minister’ for six years, when he has overseen the UK tax system in a period of turmoil, as on the one hand the UK has sought to build a competitive business tax system alongside strengthening the international corporate tax framework through BEPS and countering individual tax avoidance as well as offshore tax evasion.

Also, welcome to Jane Ellison MP, the new Financial Secretary, who moves from three years at the Department of Health. She takes over as custodian for all elements of the tax system – apart from bank taxes which are managed by new Economic Secretary Steve Kirby MP.
Finally, welcome to new ATT President Ralph Pettengell, who takes over this page for September.