Minister responds to tax bodies’ MTD concerns

Briefings



24 January 2024

The tax minister has told ATT and CIOT that the government is not going tolaunch a further review of Making Tax Digital for Income Tax SelfAssessment (MTD for ITSA), and remains committed to delivering the project in April 2026.

The two organisations’ chief executives had written to Nigel Huddleston, thenew Financial Secretary to the Treasury, in November, calling for a full review of the MTD for ITSA plans.

In his reply, sent in December, the minister writes positively of input from thetwo bodies and other stakeholders which ‘has influenced the design and timing of MTD greatly … making it simpler and easier to use’. However, he says thatwhile he understands the view that there should be a wider rethink of the project, hebelieves that MTD ‘is crucial tomodernising the tax system, and its strategic design remains the right approach’. For this reason, the government’s focus remains ‘on working inpartnership to ensure successful implementation in April 2026’.

The minister also responds to the twobodies' concerns that the costs ofcomplying with MTD are being underestimated. While HMRC believes thatthe original estimates 'represented arealistic assessment of the likely costs those within scope would have faced', it is developing 'new cost estimates to reflect the changes announced last December and review outcomes'. HMRC will publish these in a revised tax information and impact note (TIIN) which will, he says, be 'informed by work with the accountancy, business and software communities'.

The minister states that he would welcome the opportunity to meet with the CIOT and ATT to discuss MTD and we are hopeful a meeting will be set up shortly.

MPs warn on MTD burdens

The minister's reply came two weeks after the House of Commons Public Accounts Committee (PAC) published a report sharply criticising HMRC over MTD costs and burdens.

In a report citing evidence from ATT,CIOT and LITRG, the PAC says that HMRC has lost sight of needing to put customers atthe heart of changes to the taxsystem. The report accuses HMRC ofnot being open enough about the substantial costs that will be imposed onmany taxpayers. While MTD will substantially benefit HMRC by improving its systems, taxpayers will be asked to spend more anddo more to comply, states the committee.

Specifically, the report finds that HMRC excluded a total of over £2 billion inupfront transitional costs for customers from its 2022 and 2023 business cases for MTD. The PAC is concerned about how much MTD could cost customers and calls for full transparency on costs and benefits to the public purse and customers in future.

Among a number of citations of CIOT and ATT, the report notes a survey which found that nearly 90% of the bodies' members thought the VAT element of the programme had not reduced errors and that the cost to comply had far exceeded government estimates.

The committee highlights LITRG's concerns about the levels of service that HMRC will provide for unrepresented taxpayers. LITRG are calling on the government to give those on the lowest incomes certainty as to whether they willbe required to comply with MTD in duecourse, following November's announcement that the mandation of MTD for businesses with turnover between £10,000 and £30,000 will

continue to be kept under review for the time being.

Read the letter and reply at: tinyurl.com/MTDletter2