

## Making Tax Digital: pilot launched

1 May 2017

A small scale pilot of the Making Tax Digital (MTD) programme has just commenced. Look out for announcements from HMRC of the official 'go live' of the pilot, but before signing up check to see whether it is right for you and your clients. At the time of writing (6 April) the highly anticipated pilot of MTD has just commenced. At the beginning, this will start on a very small scale, with around 15 businesses and landlords per day enrolled into the pilot, to enable HMRC to check the enrolment process is working correctly, IT systems are communicating as they should, and so on. Around mid-May, we expect to see a full 'launch' by HMRC, with a press release from HMRC announcing that businesses and landlords can then join the pilot.

Proper piloting of the system will be vital, to ensure that any problems identified are resolved before mandation commences. HMRC (and us!) are keen for all types of businesses, landlords and their agents to participate in the trial, but there are a number of issues to consider before advising clients to take the plunge. These include:

1. **Your clients' accounting periods**: businesses are expected to join the pilot from the beginning of their accounting period. Subject to availability of MTD compatible software, that could rule out many businesses with, say, a 30 April year end, if the software isn't available from May 2017. We understand that HMRC will allow businesses to 'rewrite' their accounting records within MTD software back to the start of their accounting period, although it is not clear what will happen if the time limit for a quarterly update(s) has passed.
2. **The Terms of Participation of the pilot**: these are the 'terms and conditions' which must be complied with by the business / landlord, and their agent (if they have one) during the pilot. You should ensure that you and your client are comfortable with the terms, and that you will both be able to comply with the various requirements. Failure to do so could result in expulsion from the pilot. We understand that successful participation in the pilot will mean that the taxpayer will not need to prepare and submit a tax return for the relevant tax year (although the details of this are slightly sketchy), and so non-compliance will remove this benefit; although your client will have gained the experience of using MTD compatible software.
3. **The level of support which you can provide**: this issue has two aspects. First, depending upon what software you and your clients are using, you as their agent might not have the ability to assist with their MTD obligations until later in 2017, so you would need to be confident that your clients are adequately self-sufficient to maintain their records and even submit their initial quarterly updates without your assistance. Remember, it is not normally acceptable for an agent to use the client's own access credentials (see paragraph 3.36 of Professional Conduct in Relation to Taxation). Secondly, there will be overlap between obligations under Self-Assessment (for example) for 2016/17, as well as the quarterly updates for those clients in the MTD trial. You should ensure that you have adequate capacity/resourcing to support clients during this transitional period.
4. **Engagement terms**: your engagement terms will need to reflect your additional services and the various responsibilities, as well as additional fees, to assist your clients who participate in the trial. The CIOT and ATT will be reviewing their engagement letter guidance in due course, once the pilot officially goes live and we can then see the relevant parties' obligations.

There is no hiding from MTD. The more we can do to support its implementation then the more chances we have of it being a success. So do take part in the trial, and we would be grateful to receive details of your experiences, but do be mindful of the issues outlined above.

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