ANDREW JACKSON'S MTD UPDATE

Making Tax Digital has seen something of a flurry of movement in the last couple months, so it may be helpful to have a quick refresher of quite where we are.

HMRC consulted on some detailed proposals from August to November. The general view from business and the profession was that the core of MTD - the electronic sharing of information - is an excellent idea, but:

- HMRC is massively underestimating the cost of implementation
- They also seem a bit too optimistic about collecting more tax
- Quarterly reporting won't contribute much to the tax return
- There is no clarity over who is exempt, or what it means
- Suitable software is not available, and won't be until late 2017
- The whole thing is too rushed.

The Commons Treasury Committee (in January) and the Lords Finance Bill Sub-Committee (in March) have both published reports saying much the same. However, although HMRC's formal response acknowledges most of the concerns, it largely rejects them. The current proposals are therefore largely the same as those published in August. So HMRC are pushing MTD through as announced, even though everyone else – businesses, the profession, and both Houses of Parliament – is urging a slowdown and a re-think. But what does this mean for businesses and their advisors?

Unfortunately, there are few clear answers, although some general principles emerge:

- MTD will come
- The first businesses will start it in April 2018
- At best, we will have 4-6 months from software being available to it being used in anger
- That includes peak tax return season, so advisors may be a little distracted
- No-one yet knows if they are exempt from MTD
- There will be no penalties for late filing in the first year.

A cynical approach might be to hold off on doing anything until at least mid-2018, on the basis that even if you are meant to act, you won't be penalised for not doing so.

A more pragmatic approach would be to look to your accounting processes, and see about at least getting your book-keeping online.

Andrew Jackson is a member of the UK200Group's Digitalisation Taskforce and chairs the UK200Group Tax Panel

For more information on the UK200Group and our Campaign for Clarity on MTD, click here or visit www.uk200group.co.uk