



UPDATE ON MAKING TAX DIGITAL FROM ANDREW JACKSON, CHAIR OF UK200GROUP TAX PANEL – Issue 3

Maybe Temporarily Deferred?

After the announcement of the snap election, the Finance Bill was heavily pared down. Among the casualties were the clauses that would implement Making Tax Digital.

At first glance, the removal of the MTD legislation from the draft Finance Bill looks like an excellent idea: possibly even recognition by the Government that such a significant change really can't be rushed if it is to proceed sensibly.

However, I wouldn't read too much into it. After all, the draft legislation simply enabled the Treasury to produce regulations about how MTD should be implemented. Those regulations are the meat of the MTD rules, and they almost certainly already exist in unpublished draft form. They can be re-introduced perfectly easily in a post-election Finance Bill with no effect at all on the MTD timetable – and it appears that this is the Government's intention.

It is clear that the Government and HMRC are committed to MTD, and of course they are quite right that there are significant advantages to be gained in the information-sharing arena. The burdens that the proposed reporting obligations would impose are another matter, of course, but shouldn't be allowed to obscure the potential benefits.

Should the Conservative Government not be re-elected, of course, then things might be different. However, Jeremy Corbyn announced recently (and after the Bill was filleted) that he would extend the limit for exemption from the quarterly reporting aspects of MTD to the VAT threshold, bringing a large number of small businesses out of it. This suggests he is still committed to MTD in general.

Incidentally, raising the exemption from £10,000 is something that is officially still under consideration by HMRC, and the VAT threshold has been suggested many times. However, my reading of recent HMRC comments (up until they went into election purdah) suggests that they're not fans of the idea. Those smaller businesses are the very ones most likely to be making the sort of mistakes that MTD is intended to prevent, so I suspect HMRC would see this as being too much of a hollowing-out of the regime.

My feeling is therefore that taxpayers and their agents should assume that MTD is going ahead on track. If the reporting requirements are to be reconsidered, or even just deferred, then that would be very welcome; but the issues raised by MTD are as valid and relevant as they ever were, and should still be addressed.

About Andrew Jackson:

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