UPDATE ON MAKING TAX DIGITAL FROM ANDREW JACKSON, CHAIR OF UK200GROUP TAX PANEL – Issue 5

Making tricky decisions

In my last post, I made a distinction between:

1) Sorting out the individual's tax position; and

2) Reporting the results of that individual's business, which feed in to (1)

In a sense, (1) is pretty much what we do now, only instead of gathering information from the client in order to report it to HMRC, we need to gather information from the client in order to check what has already been reported to HMRC. MTD changes the mechanisms, but not the underlying process – and so need not really change the client relationship.

The big issue is (2). There is a new reporting requirement, and a new record-keeping requirement. Each of these is going to need to be satisfied by someone – but who?

Last time I suggested that it would be me doing the reporting. I'm not sure that's going to be appropriate in all cases, and anyway it doesn't address the record-keeping. But I suspect this is an area that all firms are going to have to work out for themselves, so I have only thoughts here rather than answers.

Our problem is that MTD intersperses lots of reporting among the record-keeping, and this toing and froing is not how we've worked in the past. It means working with clients, not simply for them - which I know has always been the ideal anyway, but it's not been practical or necessary in a lot of cases.

I don't mind the annual reporting, as we do that already: there's not a big conceptual difference between preparing a partnership tax return, and updating a partnership's tax account so that it can feed across to the partners' tax accounts.

It's the quarterly returns that might be more of an issue, in that you need to have figures to send to HMRC. So, some questions to consider:

- Who is running the software and entering the data?

    - If the client has their own system, how do I get access?

    - If I'm running it, how do I get the information from the client? And how do they sign off on quarterly reports?

    - If it's in the cloud and we both have access, who does what?

    - Will it be done in real time, or are we now looking at 4 shoeboxes of receipts being received for processing?

    There may of course be a third-party book-keeper to bring into the equation here.

- Which software is being run?

    - Which system works best for which client?

    - Which systems work well with my practice's software?

- Do my staff and I know how to use lots of different systems?

- Who is supporting the users – me, or the software vendor?

- Who is making the reports?

  - If the client is submitting them, do I want to check them first? If so, how do I get to see them (other than by checking the DTA after the fact)?

  - If I am submitting them, how do I know they're right? I'm going to want the client to sign off on them, too.

    There's a professional issue here: can I submit a report for a client if I'm not sure of it? PCRT says returns have to be accurate. HMRC have indicated that these reports won't be used for anything, which might suggest that they're not "returns" for PCRT standards, and I understand that HMRC have said that they won't be signed off as "correct and complete", which supports that view - but PCRT isn't everything.

- What about data protection and security? There is potentially a lot of sensitive information flying around here.

- Do all my clients have the same quarter end? If everyone's on 31 March or 5 April, things will get very lumpy.

- How do we get information to flow regularly, and yet still allow staff and clients to take holidays?

- Who is paying for all this?

The common theme here seems to be working out the split of responsibilities between agent and client. To do that, of course, the client has to understand what those responsibilities are.

The second thing I'm getting from it is about synchronising hundreds of clients' ways of working with the practice's. More frequent and more detailed contact may make for more friction, unless the mechanisms are carefully thought out. And even then, some squeaky wheels may need to be kicked.

About Andrew Jackson:

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