



UPDATE ON MAKING TAX DIGITAL FROM ANDREW JACKSON, CHAIR OF UK200GROUP TAX PANEL – Issue 7

Marvellous timetable decision

The Treasury have just announced that MTD is to be deferred. They've not given many details as yet, and looking at what they have said, there are some grey areas.

The key points seem to be:

- 1) MTD will become mandatory for VAT from April 2019 (as before), but only for businesses above the VAT threshold. This seems to be because it's not much of a change for most businesses, who have to do online quarterly VAT returns anyway.
- 2) I can find no mention of VAT-registered businesses below the threshold. It may be that no-one's actually considered them, or it may be that the old system will continue and you need to file online, but your underlying records can be on paper. Running parallel MTD and non-MTD online filing systems sounds like a complication for HMRC, so I would expect that this will be a temporary situation and all VAT-registered businesses will eventually have to join MTD, regardless of turnover.
- 3) Unincorporated businesses are going to be allowed to operate MTD voluntarily for income tax. The pilots are still going ahead, although they'll have more time to test things. There's no word on when businesses will be able to start this without being in the pilot – perhaps from April 2019, when the VAT system goes live.

The big question for me here is whether you can get the benefits of a digital tax account, and perhaps do away with the tax return, without having to do the quarterly reporting.

- 4) MTD for income tax will become mandatory from April 2020, or possibly later. At present this seems to be only for businesses above the VAT threshold, so MTD may remain voluntary for smaller businesses indefinitely – but as with VAT, I would expect a broadening of the scope relatively soon after 2020.
- 5) Companies are still not really mentioned. I imagine this means that they'll follow along with other businesses, with MTD for corporation tax kicking in from April 2020 or later. The VAT obligations will still be there from April 2019, of course. If that's the case, there's no real change.
- 6) There's no more word on the digitally excluded. This seems to be quite a complex area for HMRC, so I wouldn't be surprised if they keep quiet about it for a while and announce some last-minute exemptions as April 2019 looms.

Overall the delay is great news, allowing more time for software to be developed, tested, and rolled out to businesses, and for taxpayers and agents to adapt to the new processes that will be required.

However, the sudden change does give problems.

A major issue is going to be that the software companies are all busy baking MTD into their new software releases. If HMRC take the foot off the pedal at their end, we're going to have a lot of

functionality in our software that doesn't yet work because the wires are hanging in thin air. Will the developers have to rip out the new systems and put in something temporary? Or will they delay the new releases? If they delay, does that mean we'll be losing out on other enhancements that we might have expected?

Also, a number of other changes in HMRC were predicated on MTD coming along soon. Not giving tax summaries over the phone, for example - we're now looking at that service having been withdrawn at least three years before the online replacement comes in. The delay to online replacements could make life rather awkward – though it might encourage voluntary sign-up to MTD in some cases.

So, there's no room for complacency: what we have now is a sensible, workable timetable rather than a very compressed one. For anyone over the VAT threshold it's a gain of a year, which means you can wait until new software has been developed by the end of 2017, deploy the new system in 2018, and have it bedded in by April 2019. No great rush – but there's not a lot of slack time, either.

About Andrew Jackson:

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For more information on the UK200Group and our Campaign for Clarity on MTD, click [here](#) or visit www.uk200group.co.uk For Further information contact: admin@uk200group.co.uk

About the UK200Group:

The UK200Group was formed in 1986, and is the UK's leading association of independent chartered accountancy and law firms, with connections around the world.

The association brings together around 150 member offices in the UK with more than 500 partners who serve roughly 150,000 business clients. Its international links in nearly 70 countries give its members access to expertise across the globe.

The UK200Group aims to present a wide variety of views from its member firms, but itself remains impartial and unbiased in political matters.