

Spotlight on the Digitalisation and Agent Services Committee

Briefings



22 November 2023

The remit of the joint CIOT/ATT Digitalisation and Agent Services Committee (DASC) is that of the infrastructure and working relationship between HMRC and agents and, predominantly of late, Making Tax Digital for Income Tax (MTD for ITSA).

For several years now, the committee has been involved with discussions with HMRC on the introduction of MTD for ITSA. The main concerns have involved:

- the additional administrative work for taxpayers and their agents;
- the imposition of quarterly returns (which would not operate cumulatively) and End of Period statements;
- the lack of any substantial testing through pilots; and
- widespread ignorance of MTD for ITSA among taxpayers (and in particular, landlords).

The December 2022 announcement increasing the MTD for ITSA thresholds and extending the timeframe for mandation was welcomed by DASC. However, it was made clear to HMRC that by 2026 everyone must be ready, and the uncertainty and delays over the last few years must not be repeated. There must be continuing dialogue between stakeholders and HMRC, with nothing being off-limits for discussion.

A recent survey, responded to by 517 CIOT and ATT members, uncovered significant concerns:

- 70% of respondents thought that April 2026 was still an unrealistic start date for MTD for ITSA; and
- 79% said that the MTD for ITSA proposals had 'significantly' (56%) or 'to a fair amount' (23%) adversely affected their trust in the tax system as a whole.

Concerns have also remained on matters such as jointly owned property and interaction between multiple agents.

DASC members have fed into HMRC's 'small business review', looking at whether and how businesses with income below £30,000 should be mandated into MTD for ITSA. By the time you are reading this, we should know the outcome of this review, which we hope will lead to a sensible and pragmatic outcome for those concerned.

Penalty reform has also been a recent area of focus for DASC. The new VAT penalty regime, which took effect in January this year, is expected to apply to MTD for ITSA from 2026. It is hoped that a more encouraging and constructive approach to penalties will help to smooth the transition to MTD for ITSA, but that those not subject to MTD will also benefit.

HMRC service levels are another area which the committee frequently discusses, and feeds into the wider work of the CIOT and ATT. A further survey carried out revealed widespread dissatisfaction with the length of time to answer the telephone and written correspondence and issuing repayments. Agent, as well as taxpayer, interaction with HMRC is also subject to ongoing discussions with HMRC via the Agents Digital Design and Advisory Group (ADDAG), with 'Transforming Agent Authorisation' and the 'One Login' platform being recent topics.

HMRC continue to focus more and more on their digital services as a solution to their stretched resources. As the move to 'digital by default' continues, we expect there to be many more issues for DASC to grapple with.