

Minister responds to tax bodies' MTD concerns

Briefings

Making Tax Digital: Minister responds to tax bodies' MTD concerns

24 January 2024

The tax minister has told ATT and CIOT that the government is not going to launch a further review of Making Tax Digital for Income Tax Self Assessment (MTD for ITSA), and remains committed to delivering the project in April 2026.

The two organisations' chief executives had written to Nigel Huddleston, the new Financial Secretary to the Treasury, in November, calling for a full review of the MTD for ITSA plans.

In his reply, sent in December, the minister writes positively of input from the two bodies and other stakeholders which 'has influenced the design and timing of MTD greatly ... making it simpler and easier to use'. However, he says that while he understands the view that there should be a wider rethink of the project, he believes that MTD 'is crucial to modernising the tax system, and its strategic design remains the right approach'. For this reason, the government's focus remains 'on working in partnership to ensure successful implementation in April 2026'.

The minister also responds to the two bodies' concerns that the costs of complying with MTD are being underestimated. While HMRC believes that the original estimates 'represented a realistic assessment of the likely costs those within scope would have faced', it is developing 'new cost estimates to reflect the changes announced last December and review outcomes'. HMRC will publish these in a revised tax information and impact note (TIIN) which will, he says, be 'informed by work with the accountancy, business and software communities'.

The minister states that he would welcome the opportunity to meet with the CIOT and ATT to discuss MTD and we are hopeful a meeting will be set up shortly.

MPs warn on MTD burdens

The minister's reply came two weeks after the House of Commons Public Accounts Committee (PAC) published a report sharply criticising HMRC over MTD costs and burdens.

In a report citing evidence from ATT, CIOT and LITRG, the PAC says that HMRC has lost sight of needing to put customers at the heart of changes to the tax system. The report accuses HMRC of not being open enough about the substantial costs that will be imposed on many taxpayers. While MTD will substantially benefit HMRC by improving its systems, taxpayers will be asked to spend more and do more to comply, states the committee.

Specifically, the report finds that HMRC excluded a total of over £2 billion in upfront transitional costs for customers from its 2022 and 2023 business cases for MTD. The PAC is concerned about how much MTD could cost customers and calls for full transparency on costs and benefits to the public purse and customers in future.

Among a number of citations of CIOT and ATT, the report notes a survey which found that nearly 90% of the bodies' members thought the VAT element of the programme had not reduced errors and that the cost to comply

had far exceeded government estimates.

The committee highlights LITRG's concerns about the levels of service that HMRC will provide for unrepresented taxpayers. LITRG are calling on the government to give those on the lowest incomes certainty as to whether they will be required to comply with MTD in due course, following November's announcement that the mandation of MTD for businesses with turnover between £10,000 and £30,000 will continue to be kept under review for the time being.

Read the letter and reply at: tinyurl.com/MTDletter2