



INSIGHT

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Service oriented tax administrations

In the dynamic modern society, tax administrations are transforming themselves in order to adapt to the needs of society, introducing simplified e-services and online tax accounts where citizens can comply with their tax obligations from home and in a few minutes. Mobile platforms and enhanced websites are put at the disposal of taxpayers for filing returns. Data from third parties is being gathered in order to allow tax return to be filled in advance by the tax authorities.

Within the framework of IOTA, the Intra European Organisation of Tax Administrations, tax officials from our member countries meet on a regular basis to discuss practical issues and they bring back home new and innovative ideas and can use networking for strengthening cooperation across the membership.

In 2015, the theme of our General Assembly was “Self-service for tax compliance,” addressing the use of modern information and communication technology to improve taxpayer services, compliance and internal efficiency. Last year we set an international conference, attracting more than 80 participants who discussed the ways tax administrations are transforming to respond to the modern needs of the society and taxpayers. Already this year, IOTA organized a workshop on “Transparency and Personalisation in the delivery of e-services”, focusing on how our members tax administrations have developed simple, personalised and secure online tax accounts.

IOTA is doing its share by providing opportunities for its members to learn about new trends and to exchange experiences on new models and formats for delivering their services, thus contributing to their advance and modernisation as well as to the overall improvement of tax compliance in the European region. ■

Making Tax Digital: what you need to know

With extensive changes to how taxpayers record and report income to HMRC, what are the new timelines of implementation and how can business prepare for action changes.

By Anita Monteith

Making Tax Digital (MTD) was first announced in the March Budget 2015, when it was to be about making tax simpler. Within a year it had become clear that this was a much larger project and was about digitalisation of the entire tax system. The proposed changes are the most significant to the operation of the tax system since self assessment was introduced in the 1990s and will require businesses to keep their accounting records digitally using software or an app and to make quarterly reports to HMRC of their income and expenses. The introduction of a modern tax system using digital technology, which will make it easier for businesses to comply with their tax obligations, is good news, but many of the actual details have yet to be confirmed and we have serious concerns about the speed with which it is being implemented.

The latest timetable for the start of MTD, subject to exemptions, is:

- April 2018: income tax for businesses and landlords with turnover above the VAT threshold, which is £85,000 from April 2017 (excluding some larger partnerships).
- April 2019: income tax businesses and landlords with turnover below the VAT threshold. VAT for all businesses.
- April 2020: for corporation tax and income tax for partnerships with turnover of more than £10m.

In the Spring Budget, the Chancellor announced a one year deferral for small businesses and landlords with turnover below the VAT threshold to

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April 2019. This will allow more time for software to be designed and tested and for the necessary communication and training to take place. It will also allow for the gathering of data on the impact, including the cost to businesses and the impact on the tax gap which Government expects to be reduced by better record-keeping under MTD. By requiring businesses to report the totals of their income and expenses every three months, nearer to real time, HMRC is hoping that income will be reported more accurately. Our experience is that it is usually expense receipts which are lost rather than income.

Government has been listening and some improvements to help businesses have been announced but MTD will still be compulsory for most businesses. There was no mention in the Budget of the turnover threshold for individuals and businesses which was previously announced at £10,000. Below this threshold, MTD reports will not be required. The vast majority of small businesses which have

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turnover below that figure are unlikely to be paying tax anyway. The exemption should be set at a level of turnover where most businesses are likely to be paying tax and it should be a matter of choice for business owners based on a compelling business case for change. Businesses should be able to move to the new system over time when they are ready.

Although the original timetable for introducing these changes for smaller businesses has been deferred by a year, the timescale for implementation remains worryingly short. The results of an ICAEW survey of businesses showed that only 25 per cent of UK businesses maintain electronic accounting records, so there is a huge amount to be done by businesses, HMRC and the software industry in a very short period.

Given this, businesses should start to plan for the changes now. If they already use software, they should approach their supplier to ask when their new MTD compliant updates will be released. Not all software companies will be making the switch and if a business is looking to invest in something new, it will be important to choose a product which will have longevity.

Many suppliers will be participating in software pilots from April 2017. For anyone who likes to be ahead of the game, getting involved in a pilot will be a great way to start. HMRC won't be offering any free software, but some commercial suppliers will. There is little information about who will be eligible for these, but they are likely to be limited to use by only the smallest businesses.

Above all, speak to your accountant who will be able to help you through the changing system as details are released in the coming months. ■