**Update: Quarterly digital tax returns**

The government is continuing with its plans to make HMRC a fully digital system by 2020. As announced in the Autumn Statement, part of this plan includes what has been coined ‘quarterly digital tax returns’. ACCA continues to engage with the government on this and we have raised your concerns at our meetings with ministers and MPs.

On 25 January a debate was held in the House of Commons (the full transcript is available [here](http://www.publications.parliament.uk/pa/cm201516/cmhansrd/cm160125/halltext/160125h0001.htm)). Below we have outlined the concerns that have been raised and the government’s response to date. A lot of the detail remains to be consulted on so we welcome members’ views on what would be the least burdensome and indeed most useful information to include in the quarterly updates. We’d also appreciate hearing from members who were or were not able to get a place at the February events that HMRC hosted. ACCA understands that many of the events were full and we’re keen that the government consults broadly on this topic.

You can send your views to [advisory@accaglobal.com](mailto:advisory@accaglobal.com) with the subject line ‘Making tax digital’.

**On quarterly returns not being a ‘full’ return:**

Several MPs including David Gauke MP, financial secretary to the Treasury, argued in the debate that the quarterly reports are not returns. Gauke stated that: ‘quarterly updates will not involve the complexity of a full tax return, where the business, or its agent, has to gather together and manually input data on to an electronic or paper form and then perform various calculations. Instead, updates will be generated from digital records and, in most cases, little or no further entry of information will be needed. It will be much quicker, easier and far less burdensome than the current process. The agony of the annual tax return will be a thing of the past.’

**The government’s motive:**

He also argued that ‘keeping records digitally will reduce error, partly because it will be done on a timelier basis. Secondly, the data will allow HMRC to focus its attention on the small minority of small businesses that are evading their taxes and not on those who are trying to get it right’. He argued ‘that the software will help taxpayers identify any errors in the information they provide. One of the key benefits permitted by a more digital approach is that errors can be spotted earlier by the taxpayers themselves.’ He stated that he saw this as a means of reducing intervention from HMRC.

**Our concerns around the speed of implementation and HMRC’s capacity:**

ACCA has raised concerns that the planned phase-in is too fast and that it does not adhere to the Carter principles of starting at the top and working down to SMEs. Gauke argued that ‘the Major Projects Authority has examined the plans and that it views them as deliverable’ and that the government would ‘engage in substantial consultation this year’, with piloting and testing of the technology to follow. Gauke has stated that software and help for those who need it will be available and in extreme cases individuals will be able to nominate someone to do the report on their behalf.

We have raised our concerns around HMRC’s capacity to introduce the changes; Gauke said that ‘HMRC’s performance in January, which is traditionally a busy month, because of the self-assessment deadline, has been at a very high level. The last number I saw, which was for last week, suggested that 89% of calls were being answered and that the average waiting time is four minutes, which, it would be fair to say, is better than the historic norm for HMRC’. He pointed out that the overall £1.3bn package of investment for HMRC will allow more of its customers – not just businesses, but individuals – to go online, thus reducing calls’.

In the debate reference was made to the move to PAYE reporting and the real-tikme information (RTI) initiative. We have highlighted that this initiative cannot be seen as comparable as it was simply the transfer of a recognised and existing process to an online-only format. We recognise that the current proposals involve what for many businesses will be an entirely new process, and crucially will impact upon the 3 million-4 million smallest businesses not affected by RTI who cannot be expected to engage an accountant or bookkeeper four times a year to assist.

**On penalties:**

It was discussed and recognised that the penalty regime for the new process will need careful design. It will have to encourage the unwilling without unfairly penalising the unable. Again, the government acknowledged this and stated it will be resolved through consultation.

**On accounting adjustments for stock and work in progress:**

During the debate the question was asked as to whether quarterly updates will be required to enable accounting adjustments for stock and work in progress, which are currently made only once a year. The response was that detailed issues such as the allocation of capital allowances and the counting of stock levels will be addressed through consultation. Gauke insisted that ‘all allowances, deductions and reliefs that are currently annual will remain so. Of course, for the many businesses that use cash accounting, that is much less of an issue, but I recognise that it is an issue for some businesses. Again, for issues such as work in progress, we are not requiring information quarterly.’

**On tax payment dates:**

Concerns were raised about payment, to which the response was ‘no decision has yet been made about changing payment dates. In December, alongside the “Making tax digital” road map, we published a discussion paper on options to simplify the payment of taxes. An initial consultation will take place shortly, with a further, full consultation to take place later this year.’

**On broadband issues:**

ACCA has also questioned the rollout of broadband and whether this will be aligned. The response was: ‘the prime minister announced at the end of last year that we are looking to implement an updated broadband universal service obligation for those not covered by the superfast plans. Industry is also set to roll out 4G mobile connectivity to 98% of UK premises well ahead of the 2017 obligation. The prime minister has announced that we are looking to implement an updated broadband universal service obligation for those not covered by the superfast plans’.

ACCA has suggested that the reforms be introduced on a voluntary basis, rather than requiring all businesses to make the change. However, Gauke stated that ‘a voluntary approach would cost the same but deliver only a fraction of the benefits for business and the Exchequer. In the current fiscal environment, without the additional revenue generated by closing the tax gap, we could not have provided the £1.3bn investment required to transform services for all taxpayers’.

ACCA, both independently and alongside other key stakeholders, has raised these concerns to government. From this debate it is clear that they recognise many of the challenges and hope to resolve them through consultation.

We urge members to raise their concerns and indeed share suggestions on what wouldn’t be overly burdensome to report on. We will be continuing to work with the government to ensure that the rollout is delivered in the most efficient way to limit the burden on you and your clients.

HMRC will be consulting in the spring, with the aim of writing the draft legislation in December. We will continue to update you on this issue.

HMRC has produced a ‘myth buster’ document which can be viewed [here](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494821/Making_Tax_Digital_-_myth-buster.PDF).

We actively encourage members to contact their local MP and raise any concerns they have on this topic; your local MP’s details can be found [here](http://www.parliament.uk/mps-lords-and-offices/).

You can continue to send your views to [advisory@accaglobal.com](mailto:advisory@accaglobal.com) with the subject line ‘Making tax digital’.