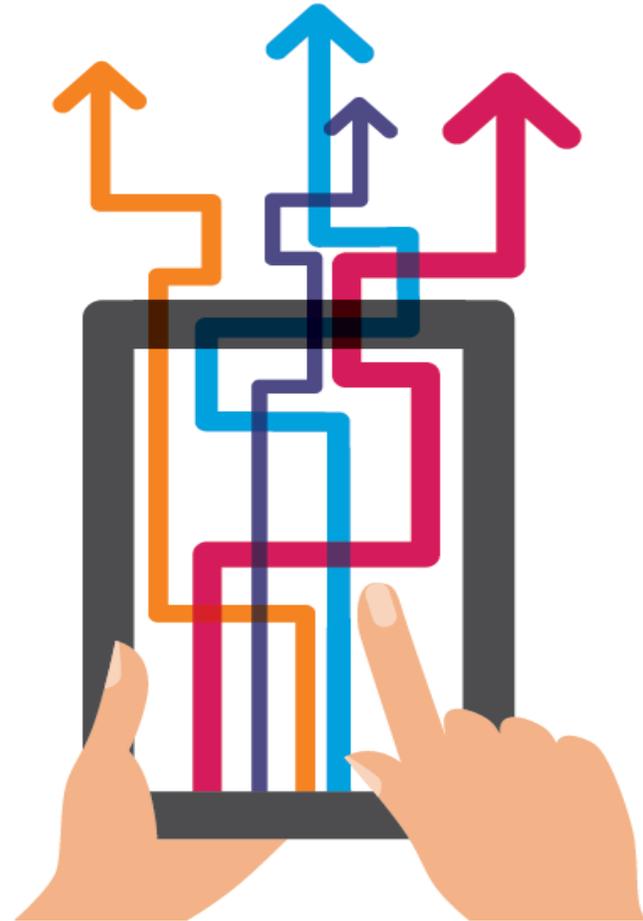




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Making Tax Digital

Simpler Payments Consultation



Making Tax Digital

Today's Ambition

Session One – Setting the Scene

- Making Tax Digital
- Making Tax Digital for Business
- Q&A and Feedback

Session Two - Consultation

- Simpler Payments
- Q&A and Feedback



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Making Tax Digital

“During this Parliament, HMRC will make fundamental changes to the way the tax system works — transforming tax administration so it is more effective, more efficient and easier for taxpayers.”

David Gauke MP

Financial Secretary to the Treasury



This is about **transforming** the UK tax system into something that feels completely different.

This is about bringing the tax system into the digital age, saving businesses time and money.

This is about acknowledging that digital is already accepted by the majority of small & medium sized organisations and going with them.



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Making Tax Digital - Foundations

Tax simplified

Taxpayers should not have to give HMRC information that it already has, or should be able to get from elsewhere — for instance, from employers, banks, building societies and other government departments.

Taxpayers will see the information that HMRC holds through their digital tax accounts, and be able to check at any time that their details are complete and correct. HMRC will use this information to tailor the service it provides, according to each taxpayer's individual circumstances. In 2016, HMRC will consult on how information from more third parties might reduce the reporting burden on taxpayers.

Making tax digital for businesses

Businesses should not have to wait until the end of the tax year or even longer before knowing how much tax they should pay.

HMRC will collect and process information affecting tax in as close to real time as possible, to stop tax due or repayments owed from building-up. From April 2018, businesses, including everyone who is self-employed and those letting out property, will update HMRC at least quarterly where it is their main source of income (or a secondary source of income above £10,000 and their main income is from employment or a pension).

Tax in one place

At the moment, most taxpayers cannot see a single picture of their liabilities and entitlements in one place. HMRC is changing that.

By 2020, taxpayers will be able to see their complete financial picture in their digital account, just like they do in their online banking. And they will be able to set an over-payment of one tax against the under-payment of another: it will feel like paying a single tax.

Making tax digital for individual taxpayers

Individual taxpayers will interact with HMRC digitally, and at any time to suit them.

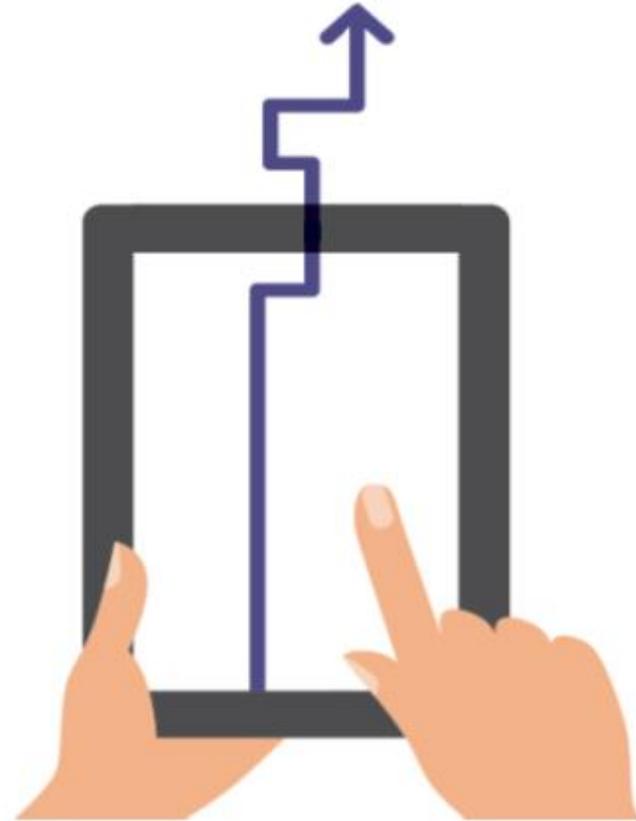
By April 2016, every individual and small business will have access to a digital tax account. The digital accounts will present individual taxpayers with a personalised picture of their tax affairs, along with prompts, advice and support through webchat and secure messaging.





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Making Tax Digital for Business



Making Tax Digital for Business

What does this mean?

- Self-employed customers, limited companies, partnerships and landlords will all be affected - *business and rental income not exceeding £10,000 (gross) will be exempt if the customer's main source is income from employment or a pension*
- It will transform the way that businesses interact with HMRC by integrating tax into business activity
- Updating HMRC directly from software will be a light touch process and will be less burdensome than it is today
- Businesses will find it easier to understand how much tax they owe
- This means more certainty over their tax position and will help them budget accordingly
- Accountants and tax professionals will be able to manage their clients' tax affairs on their behalf



Making Tax Digital for Business

What does this mean?

- Every business will have access to a HMRC Digital Tax Account by April 2016
- By 2020, most businesses will use software/apps to keep their records as part of their day-to-day activity
- Businesses and/or their agents will send summary data to HMRC quarterly - updating their account with the click of button.
- HMRC is consulting with commercial software suppliers on providing free software for smaller businesses with less complex affairs
- Help and support will be available to those who need it – 3 key aspects:
 - **Assisted Digital** – helping customers transition to digital channels
 - **Digital Support** – e.g. webchat/social media/gov.uk/interactive learning to keep the customer in the digital channel
 - **Digital Exclusion** – those who *cannot* use digital services, for whom other channels will be available



Making Tax Digital for Business

What does this mean?

Illustrative case studies (a 4-page PDF) can be found on the GOV.UK website at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/485372/Making_tax_digital_-_case_studies.pdf

A short (3¾ minute) Making Tax Digital animation was published on YouTube on 3 March 2016

<https://www.youtube.com/watch?v=So1U0RzUGcs>



Making Tax Digital
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What this doesn't mean

The Making Tax Digital Myth-Buster can be found on the GOV.UK website:

<https://www.gov.uk/government/publications/making-tax-digital>



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Making Tax Digital: Myth-Buster

Later today the FST will be standing up in Westminster Hall to educate MPs on what Making Tax Digital for businesses is, and more importantly, what it isn't. There's been a lot of myths repeated by our stakeholders and the media and we're working really hard to try to knock these myths down as they are damaging our reputation and stakeholders' belief that we can deliver. Some of the myths that we are trying to kill off are:

Myth: businesses will need to do four tax returns a year

No. Businesses will not need to file four tax returns a year. The new accounts will integrate all the different information businesses already provide to HMRC into a simple, streamlined system. Once a quarter businesses can check that the information they are collecting digitally is correct, and simply click "send" to update HMRC.

Myth: This does not consider those who are digitally excluded

- There is no question of forcing those who cannot go digital to do so. Help will be available for businesses who may struggle to use digital tools.

Myth: Businesses don't want to do tax digitally

- Millions of firms already manage their tax online. 99% of VAT returns are done online, 98% of Corporation Tax and 86% of Self-Assessment returns are done online.
- Taxpayers want more certainty over their tax bill and access to an in-year picture of their tax position, which their new digital accounts will provide.

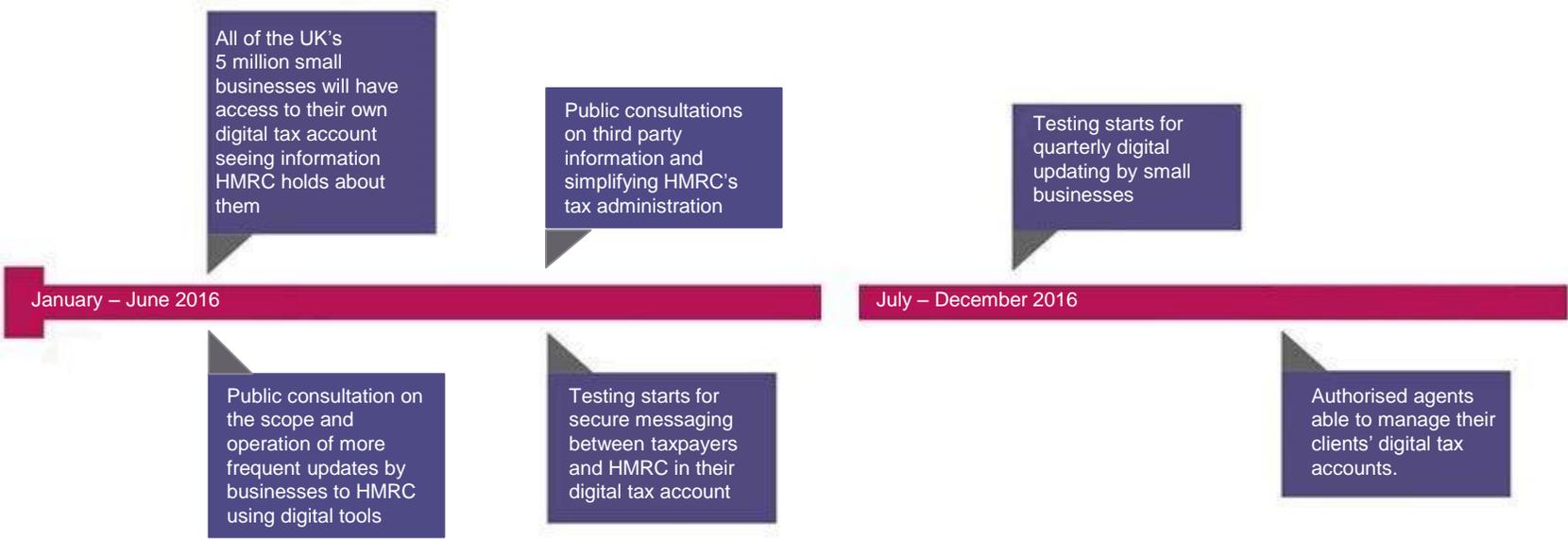
Myth: Businesses will need to keep extra records and the digitisation will cost a fortune

- No additional records are needed for increased digitisation. These changes will contribute to our target to reduce business burdens by £400m.
- For those who aren't already keeping records digitally, there will be free software and clear, simple advice on how it can be used.

Myth: The new plans will increase errors and hinder compliance

- Not true. The scope for error will be greatly reduced - meaning fewer businesses face the shock of a bigger tax bill than they expected at the end of the year.
- Annually £6.5bn is lost through error. These reforms will improve the quality of record keeping, reduce mistakes and improve tax take by £600m a year by 2020.

Making tax digital for business timeline



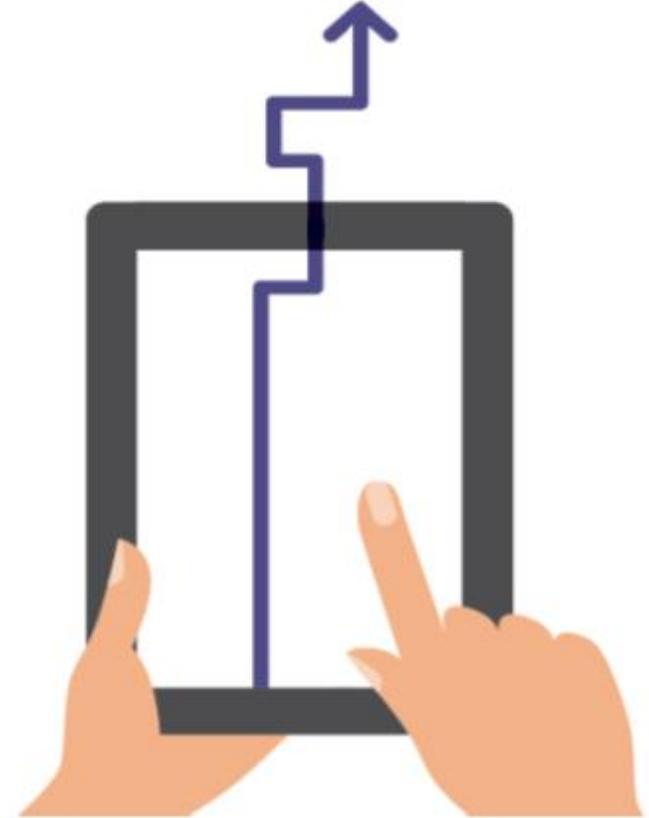
Making tax digital for business timeline





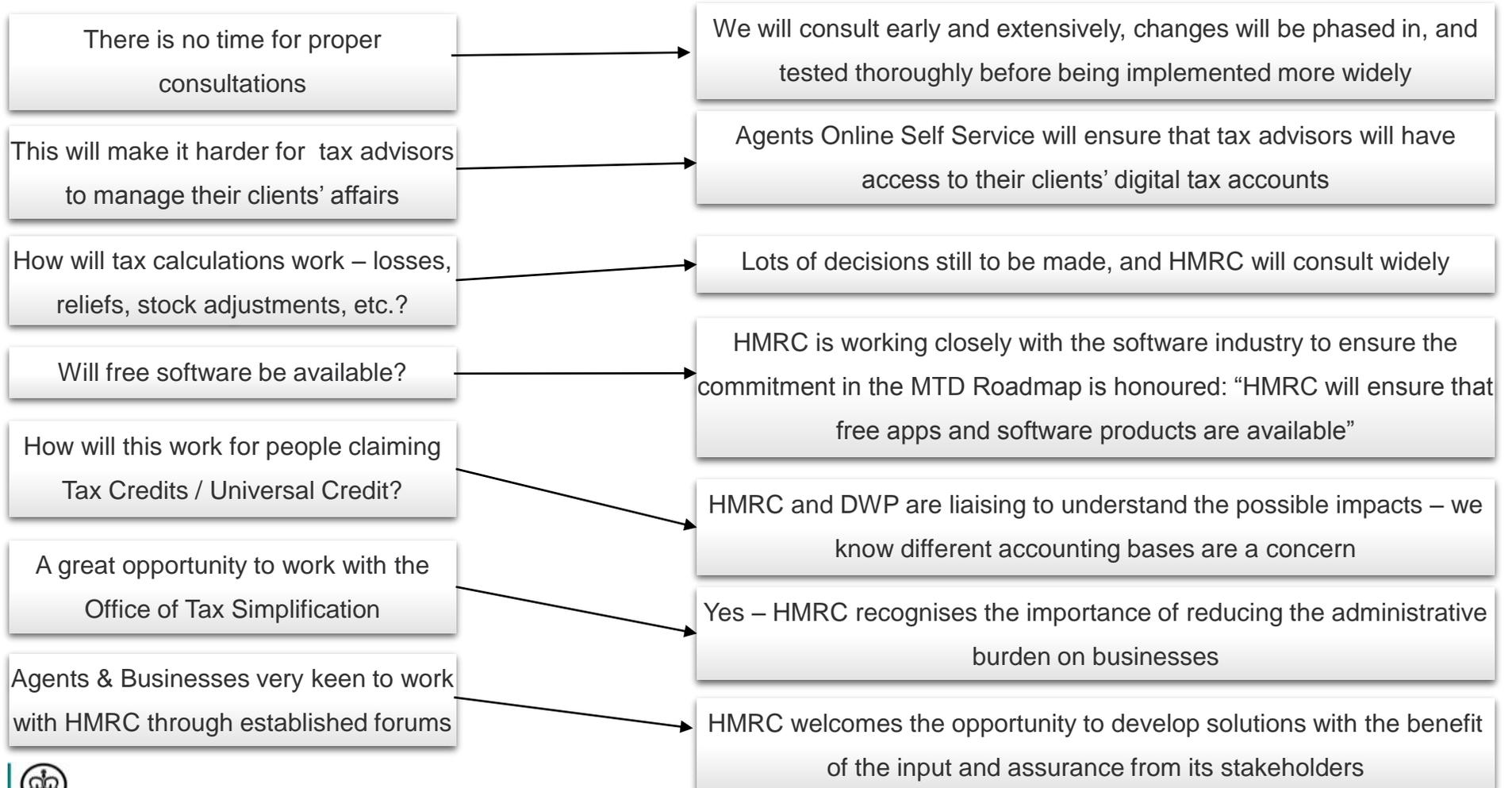
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Making Tax Digital for Business – Some comments we've already had



Making Tax Digital for Business

We're listening!





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Making Tax Digital for Business: Consultation on Simpler Payments

<https://www.gov.uk/government/publications/making-tax-digital>

Key Dates

- **14th December 2015:** Discussion paper on Simpler Payments published
- **February 2016:** Series of consultation events across the UK, primarily focussed on Simpler Payments
- **16th March 2016:** Budget
- **Post-Budget:** Further public consultation on the key aspects of MTDfB, e.g. scope, software, reporting & payment
- **2018 – 2020:** Most businesses, self-employed and landlords start updating HMRC quarterly for Income Tax and Corporation Tax



Purpose of Consultation on Payment

Making Tax Digital programme presents an opportunity for Government to consider reforms to the current payment arrangements to:

- Make them **simpler**
- Create **greater alignment** between taxes, in particular between profits based taxes for business like Income Tax and Corporation Tax, and VAT
- Bring them **closer to real time**, enabling business to use the quarterly updates to better understand their tax position in year, and pay smaller amounts of tax more regularly



Key Issues for Today

There are three key issues we want to explore with you:

- **Pay as You Go (The Utility Bill model):**
 - Your thoughts on using quarterly updates to enable you to pay smaller amounts of Income Tax (IT) and Corporation Tax (CT) more regularly on a voluntary basis
- **Changes to Payment Dates**
 - Your views on potential reforms to the mandatory payment dates of IT and CT for businesses in the context of Making Tax Digital
- **Alignment across Taxes**
 - Your feedback on whether you would like to see greater alignment of dates across taxes, with a particular focus on IT/CT and VAT



Key Issue 1 – Pay as You Go

We'd like to spend 10-15 minutes discussing the 'Pay as You Go' option

- **How attractive do you think that this option would be for business?**
 - How likely are businesses to take-up this option?
 - How regularly do you think that they would like to pay, e.g. monthly or quarterly?
 - How much flexibility would they want around the precise payment amount?
- **How could HMRC encourage take-up of this option?**
 - For example, by:
 - Paying a small amount of credit interest on voluntary payments
 - Allowing businesses some flexibility to take voluntary payments out of their account for cash-flow or other reasons
 - Any other design features that would be particularly attractive to businesses?



Key Issue 2 – Changes to Payment Dates

We'd like to spend 10-15 minutes discussing Changes to Payment Dates

- Statutory payment dates vary depending upon whether you are a company paying Corporation Tax or an unincorporated business paying Income Tax and NICs. In this session, we want to focus on **Unincorporated Businesses**, although comments on companies are still welcome
- **How could HMRC improve the current arrangements for unincorporated businesses?**
 - The current rules create a long lag between the start of trading and the first payment of tax. Unincorporated businesses then pay their tax for the previous year and make their first Payment on Account, which can come as a shock. The current rules can also result in some or all of the first year's profit being taxed twice
 - Payment on Accounts due in January and July are not based on up-to-date data but on the tax due and paid in the previous year. In the future, should these be based on the quarterly updates under MTDfB?
 - There are standard payment dates which create variable lags between the profits being generated and the tax paid. Do you think that businesses would welcome payment dates aligned with their period of account?



Key Issue 3 – Alignment of IT & CT with VAT

We'd like to spend 10-15 minutes discussing greater alignment of Income Tax and Corporation Tax dates with the dates for VAT returns and payments

- VAT returns and payment are generally quarterly (although businesses can opt to make more frequent monthly returns and payments)
- **Moving to a system of quarterly updates for Income Tax and Corporation Tax enables us to align these dates with the dates of businesses' VAT returns**
 - Do you think that businesses would want these dates to be aligned?
 - If so, should this be the default for all customers or a matter of choice?
 - If, not what are the reasons why businesses would not want these dates to be aligned?
- **There is also the potential to extend this alignment to payment dates, depending on the final decision on payment as part of MTDfB**
 - Subject to the discussion above, do you think that businesses would want their payment dates for VAT aligned with their payment dates for Income Tax or Corporation Tax

