The ICAS role

ICAS (The Institute of Chartered Accountants of Scotland) is the oldest professional body of accountants. We represent over 21,000 members who advise and lead businesses. Around half our members are based in Scotland, the other half work in the rest of the UK or in almost 100 countries around the world.

ICAS has a public interest remit – a duty to act not only for its members but for the wider public good. Our technical experts work in a positive and constructive manner to advise policy makers on legislation and to raise issues of importance to our members, individual taxpayers and business alike.

Taxation is one such area of importance and ICAS has contributed, and will continue to contribute, to HMRC’s ‘Making Tax Digital’ programme to ensure it works effectively so that all stakeholders benefit wherever possible.

This paper, which has been prepared by the ICAS Making Tax Digital Steering Group, sets out the ICAS strategy in relation to three parties:

- The taxpaying public
- HMRC
- ICAS members
Making Tax Digital: The objectives

ICAS supports the overall objectives of Making Tax Digital, as set out by HMRC in December 2015. The four ‘foundations’ are laudable goals:

1. Tax simplified
2. Tax in one place
3. Making tax digital for businesses
4. Making tax digital for individuals

The UK Government’s road map for making tax digital is an ambitious vision for a new digital tax administration. It includes the requirement for most businesses and individuals to interact digitally, and in real-time, with HMRC. It rests upon digital accounting records.

This is a bold vision. It envisages a future where tax administration is transformed ‘so it is more effective, more efficient and easier for the taxpayer’. Broadly, ICAS supports this vision with these provisions:

• we do not support mandatory digital for everything, and
• there needs to be adequate identification and support for those who may struggle with new reporting requirements.

The timetable was significantly revised in July 2017 and now starts with VAT from April 2019 and other taxes no earlier than 2020.

The ICAS digital policy positions

• Digital facilities should be accessible to all on the terms that they want
• Digital services should be so good that everyone wants to use them
• Our members are well placed to encourage and support digital use where appropriate
The ICAS MTD strategy

• The taxpaying public
ICAS will inform the general public about Making Tax Digital. It will also represent the public interest in the transformation of tax administration.

• HMRC
ICAS will work with HMRC to assist in the effective implementation of Making Tax Digital. It will use its expertise, and that of its members, to engage in constructive challenge to develop the opportunities of a digital tax service, whilst recognising the broader constraints within which HMRC operates.

• ICAS members
ICAS will support its members, both in practice and in business, so that they can maximise the benefits of Making Tax Digital and minimise the effects of any negative aspects.

ICAS seeks a tax system where:

• Tax administration is efficient for all stakeholders
• Digital facilities and broadband are accessible to all
• There is a ‘want-to-use’ system; the new digital system should not be mandatory
• The current delay in the timetable for implementation is used to develop a ‘state-of-the-art’ digital tax system
• Agent Services are made available at the same time or ahead of services for individuals and businesses so that agents can properly support their clients
The taxpaying public

ICAS will inform the general public about Making Tax Digital. It will also represent the public interest in the transformation of tax administration.

- ICAS will support efforts to create a straightforward, simple, cost effective tax system. This should ensure that the right amount of tax for the public purse is collected at the right time, whilst minimising the costs of compliance to individual taxpayers and businesses.
- Public services need to be properly funded and the future tax system should support the common good.

Any modern tax system should have the trust of the public, make compliance easy, prevent evasion and be adequately resourced.

Trust

Trust is an essential component of public services. Any tax system depends to a large extent on voluntary compliance.

ICAS will advocate greater transparency in the application of digital tax policy.

Compliance

Tax evasion should continue to be targeted. Making Tax Digital does not of itself combat evasion. Measures aimed at reducing the tax gap need to be effectively targeted to avoid burdening the compliant.

Recognition is needed of the difference between those who deliberately break the law and those drifting into non-compliance, through ignorance of the rules, or following life changing events.
Making Tax Digital is in danger of adding red-tape and transferring costs from HMRC onto individual and business taxpayers. The financial and time costs of compliance should be kept to a minimum.

Radical simplification of the tax rules would encourage cost effective compliance.

Right resources in the right place

HMRC needs adequate resources to provide an appropriate level of service and support for all taxpayers. It cannot rely on the voluntary sector, paid agents, or paid-for software to provide what should be a public service. Taxpayers should be able to deal with essential basic tax compliance without incurring costs.
ICAS will work with HMRC to assist in the effective implementation of Making Tax Digital. It will use its expertise, and that of its members, to engage in constructive challenge to develop the opportunities of a digital tax service, whilst recognising the broader constraints within which HMRC operates.

We will work with HMRC and Government to encourage:

• Tax simplification before widespread introduction of MTD
• Minimisation of any adverse impact of tax changes on taxpayers and agents
• A balance between costs for taxpayers and benefits for HMRC and the wider taxpaying community
• Appropriate software being readily available, tested, and fit for purpose
• An overall coherent approach.

Rollout of Making Tax Digital

The revised timetable is welcome, although it still presents significant challenges. The time available must be used to simplify the tax system and develop a range of appropriate, inclusive, digital and non-digital solutions for businesses of different sizes and complexity. Each part of the system should be fully tested for at least one complete reporting cycle before implementation, and taxpayer preference should be factored in.

We will also focus on the detailed legislation and operational plans.
Proportionality

Record-keeping and compliance with statutory requirements present a big challenge for small self-employed businesses. This challenge is increased when they have no professional representation. Imposing mandatory quarterly filing direct from accounting records is a revolution which requires a significant change in small business attitudes. It is unclear that the benefits will outweigh the costs involved.

Bringing such businesses into a digital world with quarterly reporting is very challenging. Being a taxpayer is not optional. The financial and time costs of compliance should not be onerous.

Software

The means of achieving full tax compliance should be free to individual taxpayers. Suitable software should be provided without charge by HMRC. Those with more sophisticated business needs should have the option of paying for more sophisticated software which interacts effectively with HMRC systems.

Agent access should allow an authorised adviser to do anything a taxpayer can do and facilitate compliance with the law.

Complexity

Current tax law is very complicated and needs simplification. Where this is not possible, any digitisation must accommodate all the complexities that exist including the consequences of devolving income tax.
ICAS members

ICAS will support its members, both in practice and in business, so that they can maximise the benefits of Making Tax Digital, and minimise the effects of any negative aspects.

ICAS, as a professional body, will assist by:

- Co-ordinating member experience and expertise
- Disseminating this to members
- Providing support to practices

ICAS will also represent its members’ views to HMRC.

Coordinating member experience and expertise

Digitalisation and the end of the traditional tax return will produce a challenging environment for firms and clients. It may also provide an opportunity for member firms to be more closely involved with their clients on a day-to-day basis.

While a basic objective of helping businesses to pay the correct amount of tax remains, the way in which this is achieved is likely to be subject to significant change, and our members will help facilitate this. Firms will need to take on new roles and new approaches both to delivery of professional services and in terms of adding value to businesses and individuals beyond basic compliance services.

ICAS members are both tax professionals and trusted business advisers. This provides a unique opportunity for members in practice and business to take a broader view of the changes and look for opportunities in one field to offset difficulties in another.
The role of agents

Agents play a large part in enabling taxpayers to manage their tax affairs effectively. They bring advocacy, both to the disadvantaged and sophisticated. They articulate what clients want to say. They understand the rules and can interpret these to their clients. Similarly, they understand their clients and can help them to understand HMRC’s requirements. They facilitate client engagement with the tax system.

Expertise and professional judgement are needed to get things right. ICAS members support tax compliance and compliant taxpayer behaviour, make complex tax systems workable for businesses, and reduce the risk of unexpected tax costs for all taxpayers.

Agents make the system work. This is equally true in a digital environment. HMRC needs to recognise the role of agents and ensure that they have timely access to all digital services so that they can act effectively for their clients.
Summary of ICAS work to date

- Creating initial MTD ICAS strategy document July 2016
- Full responses to all six HMRC MTD consultations issued August 2016
- Ongoing series of articles to inform members
- Representation at HMRC’s MTD stakeholder events
- Engagement with HMRC MTD forums, including the JVCC group dealing with MTD for VAT
- Evidence to Treasury Select Committee and House of Lords Economic Affairs Committee

Engagement with HMRC

- 35+ meetings with HMRC September 2015 to May 2017
- A to Z input, from agent services and segmentation to software prompts and nudges
- Stakeholder engagement meetings
- Behind the scenes input representing practitioner views

Consultation responses

- Responding to all formal HMRC consultations
- Informal reports to HMRC on additional issues such as the software development framework
- Formal consultation submissions running to 26,000 words

Articles

- Informing ICAS members, the wider profession, and the public
- 30+ articles published on MTD, including Accountancy Age, Taxation Magazine, Technical Bulletin and ICAS.com
- Additional ICAS commentary in the press
- Raising awareness through publication of ICAS MTD strategy paper, widely circulated among professional bodies, trade bodies and Government
Evidence to Treasury Select Committee and House of Lords Economic Affairs Committee

- Both Committees recommended significant changes to the scope and timetable of MTD, quoting ICAS submissions in the reports

Member involvement

- Creating ICAS MTD Strategy Group and MTD Panel
- Arranging HMRC visits to member firms
- Facilitating engagement meetings for practitioners to meet HMRC MTD staff
- Attending country-wide meetings to listen to members’ views
- Additional member input via ICAS committees
- Publication of ‘How to create your firm’s Cloud Proposition’
Contact us

Charlotte Barbour  
Director of Taxation  
Tel: +44 (0) 131 347 0292  
Email: cbarbour@icas.com

Philip McNeill  
Head of Taxation  
(Tax Practice & OMB Taxes)  
Tel: +44 (0) 131 347 0292  
Email: pmcneill@icas.com

Jeremy Clarke  
Assistant Director, Practice  
Tel: +44 (0) 131 347 0255  
Email: jclarke@icas.com