The ICAS role

The Institute of Chartered Accountants of Scotland ("ICAS") 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 regulates over 1,000 practices providing tax, accountancy and businesses services across the UK and beyond. ICAS members need to demonstrate practical and technical excellence before being admitted to membership and have a duty to maintain the value of their qualification through continuing professional development and training.

ICAS is committed to maintaining high standards in professional practices and requires adherence to the ICAS Code of Ethics and the Professional Conduct in Relation to Taxation.

ICAS has a public interest remit – a duty to act not only for its members but for the wider public good.

Taxation is an area of importance as regards ICAS members, ICAS regulated firms, government and the wider public. ICAS has contributed, and will continue to contribute, to tax policy in Scotland, the UK and beyond. The MTD Strategy document is part of that continuing commitment to inform the debate.

ICAS policy positions are issued under the auspices of the ICAS Tax Board.

The Tax Board’s objectives are to:

- Act in the public interest
- Provide constructive input to the authorities, and
- Represent ICAS members’ and students’ interests.

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Making Tax Digital: the objectives

ICAS supports the overall objectives of Making Tax Digital which aim to transform the UK tax system to make it:

- more effective
- more efficient, and
- easier for taxpayers to get their tax right

The original vision was set out in December 2015, with the timetable significantly revised in July 2017. Mandatory MTD for VAT started in April 2019.

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 bold vision envisages a revolution in the relationship between HMRC, business and their advisers.

Broadly, ICAS supports the 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 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.

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 timetable for implementation takes account of the need for new systems to be robustly tested to develop a ‘state-of-the-art’ digital tax system before extended roll-out
- 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.
- The system should be designed to ensure that taxpayers are aware of all reliefs and claims appropriate to their circumstances, and that business opportunities are not hindered though lack of access to the tax support legislated for and envisaged by Parliament.
- 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

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 timetable for implementation must take account of the need for new systems to be robustly tested. 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.

The time available must be used to bring real simplification to the tax system and to develop a range of appropriate, inclusive, digital and non-digital solutions for businesses of different sizes and complexity.

Government should facilitate engagement with the tax system by assisting taxpayers to understand how they are being taxed. Digital systems bring a risk of misunderstanding where deceptively simple online administration masks a system that taxpayers do not understand.

Proportionality
Record-keeping burdens differ depending on the size of a business. Yet all information comes at a cost. Digitalisation brings the opportunity for Government to collect more and more data. The cost to business of creating this data should not be overlooked.

Record-keeping and compliance with statutory requirements present a particular challenge for small self-employed businesses. This challenge is increased when they have no professional representation.

Imposing mandatory quarterly filing direct from accounting records, as envisaged in MTD for income tax, 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.

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.

**Compliance with legislation**
Digital services should reflect the law, not simply follow HMRC administrative practices. Underlying legislation may need revision to make it effective in a digital age.
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 brings in new reporting timeframes and processes. This 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. ICAS members will help taxpayers access appropriate tax reliefs and support for their personal and business affairs. This will enable taxpayers to budget for and pay their taxes on time.

Firms will need to take on new roles and consider new approaches both to delivery of professional services and means 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.
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