



## DEBATE PACK

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# Tax reporting for small business and the self-employed

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## Summary

The House is to debate E-petition 115895 in Westminster Hall on 25 January 2016 at 4.30pm. The petition calls on the Government to "scrap plans forcing self-employed & small business to do 4 tax returns yearly." The petition has over 108,000 signatures to date.

The debate will be led by Oliver Dowden, a member of the Petitions Committee.

In the March 2015 Budget the Government announced plans for digital tax accounts, which would remove the need for individuals and small businesses to file an annual tax return. In December HM Revenue & Customs published *Making Tax Digital*, which sets out its strategy to implement this new system by 2020. The Government intends that most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account. Individuals in employment and pensioners will be exempt from this system of quarterly updates, unless they have secondary incomes of more than £10,000 per year from self-employment or property. A formal consultation is to be launched in spring 2016.

In its response to the petition, the Government has stated, "*Making Tax Digital* will not mean 'four tax returns a year'. Quarterly updates will largely be a matter of checking data generated from record keeping software or apps and clicking 'send'."

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

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# 1. The Petition & the Government's response

The House is to debate E-petition 115895 in Westminster Hall on 25 January. Oliver Dowden, a member of the Petitions Committee, will lead the debate.<sup>1</sup>

[E-petition 115895](#) states, "George Osborne announced in his Autumn statement the plan for self-employed and small businesses to have to file four tax returns a year rather than one as currently is done. Each self-employed individual and small business will have the added burden of additional red tape, accountancy fees and potential for fines. As a small business owner myself I already spend quite some time to get things in order once a year. There will be greater chance of errors as well. At the moment we pay £1200 a year in accountancy fees this figure will greatly increase. The Conservatives are not working for small businesses in bringing such legislation but adding burden."

The Government have published a response to the petition:

**Making Tax Digital will not mean 'four tax returns a year'. Quarterly updates will largely be a matter of checking data generated from record keeping software or apps and clicking 'send'.**

These reforms will not mean that businesses have to provide the equivalent of four tax returns every year. Updating HMRC through software or apps will deliver a light-touch process, much less burdensome and time-consuming than it is today.

At the March 2015 Budget the government committed to transform the tax system by introducing simple, secure and personalised digital tax accounts, removing the need for annual tax returns. At the 2015 Spending Review the government announced it would invest £1.3bn in HMRC to make this vision a reality, transforming HMRC into one of the most digitally advanced tax administrations in the world.

One element of this vision will be asking most businesses, self-employed people and landlords to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account. Many taxpayers have told HMRC that they want more certainty over their tax bill, and don't want to wait until the end of the year, or even longer, before knowing where they stand with their taxes. We also estimate that £6.5bn in tax goes unpaid every year because of mistakes made when filling in tax returns. These reforms will make it easier for taxpayers to maintain accurate and up-to-date tax affairs, reducing the scope for error.

With businesses keeping track of their tax affairs digitally, quarterly updates will be fundamentally different from filling out an annual tax return in a number of crucial respects:

- Quarterly updates will not involve all the complexity of a full tax return. The updates will be generated from existing digital business records. In most cases, little or no further

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<sup>1</sup> [Petitions Committee press notice, 12 January 2016](#)

entry of information will be needed. It will be much quicker to complete than the current tax return.

- As part of the process the business owner or individual will receive a developing in-year picture of their tax position, helping people have greater certainty about what they owe, allowing them to plan their finances more effectively. This differs from the current system where many taxpayers are caught out by their tax bill when it finally arrives.
- In-year updates will not be subject to the same sanctions for lateness or inaccuracies as apply now to the year-end position. HMRC will consult during 2016 on what sanctions might be appropriate for a more digital tax administration.

The government has already announced that these measures will not apply to individuals in employment or pensioners, unless they have secondary incomes of more than £10,000 per year from self-employment or property.

The reforms will rely on businesses, self-employed people and landlords using software or apps that can connect securely to their digital tax account. The government will ensure that free products are available. The Gov.UK service will signpost taxpayers to the right product, with clear HMRC guidance about how to choose software.

HMRC will ensure support is available for people to get online if they need it. We will also provide alternatives for those who genuinely cannot use digital tools, like telephone filing. This will build on our Needs Extra Support service, which has gone from strength to strength in helping more vulnerable customers.

We're introducing these reforms gradually. We've been in discussion with stakeholders since March 2015 and will be consulting on the details of the proposals throughout 2016. We will use volunteers to test the new tools and processes and give us feedback. Quarterly updates will be introduced for some from 2018, and will be phased in fully by 2020, giving taxpayers time to adapt. We want to work with all stakeholders to ensure these changes work for them. For more information about the proposed reforms please search for 'Making Tax Digital' on Gov.UK or use the following link:

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

## 2. Policy background

In his Budget speech on 18 March 2015 the Chancellor, George Osborne, announced plans to introduce digital tax accounts, which would remove the need for individuals and small businesses to file an annual tax return:

Some 12 million people and small businesses are forced to complete a self-assessment tax return every year. It is complex, costly and time-consuming. So, today I am announcing that we will abolish the annual tax return all together. Millions of individuals will have the information the Revenue needs automatically uploaded into new digital tax accounts. A minority with the most complex tax affairs will be able to manage their account online.

Businesses will feel like they are paying a simple, single business tax, and again, for most, the information needed will be automatically received. This revolutionary simplification of tax collection will start next year, because we believe that people should be working for themselves, and not for the tax man.<sup>2</sup>

In a paper on its digital strategy published alongside the Budget report, HM Revenue & Customs stated that “By early 2016 five million small businesses and the first ten million individuals will have access to a secure, personalised digital tax account. By 2020 more than 50 million individuals and small businesses will have a secure, personalised digital tax account — removing the need for millions to complete a tax return and simplifying the tax system for millions more.” The paper set out what taxpayers would be able to do with their own digital account:

- View and manage their information online in one secure place
- Pay the tax they owe without having to give HMRC information it already holds
- Deal with their tax affairs quickly and easily
- Use simple, clear and personalised support
- Give authorised agents access to their digital tax account
- Access a wider range of government services.<sup>3</sup>

In the Spending Review & Autumn Statement in November 2015, the Government published further details, including plans to “require most businesses, self-employed people and landlords to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account”:

The Spending Review and Autumn Statement announces that the government will:

- invest £1.3 billion to transform Her Majesty’s Revenue and Customs (HMRC) into one of the most digitally advanced

<sup>2</sup> [HC Deb 18 March 2015 c777](#). See also, [Budget 2015, HC 1093, March 2015 paras 107-9](#)

<sup>3</sup> HMRC, [Making tax easier](#), 18 March 2015 p8, pp5-6

tax administrations in the world, with access to digital tax accounts for all small businesses and individuals by 2016-17

- by 2020, require most businesses, self-employed people and landlords to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account. HMRC will ensure the availability of free apps and software that link securely to HMRC systems and provide support to those who need help using digital technology. This will not apply to individuals in employment or pensioners, unless they have secondary incomes of more than £10,000 per year from self-employment or property. The government will consult on the details in 2016.
- consult on options to simplify the payment of taxes, including whether to align payment dates and bring them closer to the point when profits arise, so that taxpayers make a single regular payment that covers all their tax affairs.

These reforms will deliver the biggest transformation of the tax system in a generation, making it more effective, efficient and easier for taxpayers, and are a first step by HMRC towards meeting a new target to reduce the costs to business of tax administration by £400 million by the end of 2019-20.<sup>4</sup>

The Government have suggested that mandatory digital accounts will reduce errors in tax returns, and raise over £600m by 2020/21.<sup>5</sup>

Further details of this costing were published at the time:

### **Making Tax Digital: reducing errors through record keeping**

#### **Measure description**

This measure will require businesses, self-employed people and landlords to integrate electronic record keeping with online tax reporting using business accounting software and to update their tax information at least quarterly to HMRC using these digital tools. The software, which will include apps for mobile devices, will include minimum standard functionality and data capture that prevents some error and promotes compliance. The use of software will reduce incidences of errors in tax returns, saving the public money.

These requirements will apply to most businesses including companies, sole traders, self-employed people, partnerships and landlords. It will not apply to employees, or pensioners, with a secondary income source from self-employment or property and whose gross income from this secondary source is under £10,000 per year.

The taxes in scope for this measure are Income Tax (IT), National Insurance Contributions (NICs), Corporation Tax (CT) and Value Added Tax (VAT).

The measure will be implemented for IT and NICs from April 2018, VAT from April 2019 and CT from April 2020. The roll out will be staggered by regime and in each case the year prior to mandating for each regime will consist of testing amongst a limited cohort of customers.

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<sup>4</sup> [Spending Review & Autumn Statement, Cm 9162, November 2015 paras 1.288-9](#)

<sup>5</sup> *op.cit.* para 3.93, Table 3.1 – item 20

### The tax base

The tax base consists of the CT, IT, NICs and VAT lost due to non-compliance by small businesses as a result of error and failure to take reasonable care. The tax base grows over the forecast period in line with receipt projections and VAT theoretical liabilities.

### Costing

The costing is estimated by applying a behavioural response to the proportion of the tax base impacted by this measure. This response captures the impact of taxpayers improving their compliance as a result of the measure through better, more timely record keeping and the prevention of some errors.

#### Exchequer impact (£m)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Exchequer impact	0	0	neg	+10	+300	+610

### Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and behavioural response.<sup>6</sup>

As part of its work certifying the Government's policy costings, the Office for Budget Responsibility (OBR) assign each of these estimates a subjective uncertainty rating – and in this case, the OBR gave the costing a high uncertainty rating:

#### **Making Tax Digital: reducing errors through record keeping:**

This package receives a 'high' uncertainty rating. It is an HMRC initiative to interact digitally with small businesses across income tax, corporation tax and VAT, working with the private sector to introduce software that will design out record-keeping errors in taxpayers' returns.

There are uncertainties in the behavioural response and operational delivery. In terms of behaviour, the uncertainty relates to the extent to which the software will prevent errors by taxpayers; in terms of deliverability, the uncertainty relates to whether HMRC can deliver this challenging project in time for the benefits to be realised as scored. Reflecting lessons learnt from previous costings ...we paid particular attention to the degree of contingency built into the delivery plan before certifying the costing as central.<sup>7</sup>

The following month the Financial Secretary to the Treasury, David Gauke, presented HMRC's plans for this five year programme: *Making tax digital*. In his speech the Minister addressed concerns that the introduction of digital accounts would impose significant administrative burdens on businesses:

We will expect businesses to keep digital records and to update HMRC on a quarterly basis. But these updates will be done through software or apps and will be integrated into business' digital record keeping. And I want to stress that this is the end of the tax return – this is not going to feel like doing four tax returns a year. Indeed, we expect these reforms to ease the admin

<sup>6</sup> HMG, *Spending Review and Autumn Statement 2015: policy costings*, November 2015 p27. See also, [PQ22224](#), 18 January 2016.

<sup>7</sup> "Certification of policy costings", in *Spending Review and Autumn Statement 2015: policy costings*, November 2015 [Annex A para A9](#). There is more on the OBR's assessment of previous costings at [para A28](#).

burdens on businesses and to help them plan their cash flow more easily, by providing greater certainty about what they will owe. Updating HMRC directly in this way will be secure, light-touch and far less burdensome than the tax returns of today.<sup>8</sup>

HMRC's document has more details on this mandatory reporting requirement, and how it would operate in practice:

By 2020, most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account. These changes will be introduced for some businesses from April 2018, and will be phased-in by 2020, giving businesses time to adapt.

These businesses will be required to use digital tools, such as software or apps, to keep records of their income and expenditure. HMRC will ensure that free apps and software products are available, but many businesses and their advisers will choose to use commercially-available tax software packages. Businesses will use software that compiles their tax data as part of their ordinary day-to-day activity, highlighting any possible errors (for instance, arithmetical mistakes or figures which look out of place) and offering prompts for information that might otherwise be overlooked.

Once the software has compiled the relevant data, businesses or their agents will feed it directly into HMRC systems via their computers or smartphones. Updating HMRC directly in this way will be secure, light-touch and far less burdensome than the tax returns of today. Businesses currently report information on tax returns and pay liabilities long after the end of the tax year. The government is changing the tax system so that it operates much more closely to 'real time'. Business will be able to see, through their digital accounts, a real-time view of their tax and a calculation of the tax due. By reporting information closer to real time, businesses will find it easier to understand how much tax they owe, giving them far more certainty over their tax position and helping them to budget accordingly.

The government will consult widely on the details of these measures in spring 2016, including on whether they should apply to charities, sports clubs and their trading subsidiaries. The government has already announced, however, that these measures will not apply to individuals in employment or pensioners, unless they have secondary incomes of more than £10,000 per year from self-employment or property.<sup>9</sup>

To date HMRC has not launched a formal consultation on this aspect of its digital strategy, though business groups and accountancy bodies have raised concerns about its implications, particularly for the smallest businesses. Section 4.2 of this debate pack reproduces a number of press notices setting out these concerns.

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<sup>8</sup> HM Revenue & Customs press notice, [David Gauke sets out vision for making tax digital, 14 December 2015](#)

<sup>9</sup> HM Revenue & Customs, [Making tax digital, 14 December 2015 p7](#)



## Links to further reading

HM Revenue & Customs, [\*Making tax easier\*](#), 18 March 2015

HM Revenue & Customs, [\*Making tax digital\*](#), 14 December 2015

HM Revenue & Customs, [\*Making tax digital - discussion paper on simpler payments\*](#), 14 December 2015

HM Revenue & Customs, [\*Making tax digital - illustrative case studies\*](#), 14 December 2015

## 3. Parliamentary Material

### 3.1 Treasury Committee

[Budget 2015 HC1082 – Oral Evidence, 24 March 2015 \(Qs258-262\)](#)

**Q258 Teresa Pearce:** Can I just ask you two final questions on something separate, which is an interesting thing you announced in the Budget—the digitalisation of tax returns? You are going to scrap the traditional paper tax return and, as from 2016, there will be 5 million small businesses and 10 million individuals who will have digital tax accounts. Is that just the extension of RTI<sup>10</sup> for everybody? Will that mean that your digital tax account will have access to your personal bank accounts?

**Mr Osborne:** That would not be a step that we would take lightly. Of course, it would require Parliament—

**Q259 Teresa Pearce:** So how would a digital tax return have all your information?

**Mr Osborne:** We would want to set up arrangements where, for example, employers automatically submit the data.

**Q260 Teresa Pearce:** So it's an extension of RTI.

**Mr Osborne:** The bit that you alight on is the bit that, of course, people would have a lot of concerns about, which would be access to bank accounts. That is not required for this proposal. I think that would be a very big step and something that Parliament would want to consider. That is not what I am proposing.

**Q261 Teresa Pearce:** So you would still have to input information but just online?

**Mr Osborne:** Roughly speaking, there are about 11 million people who fill in an annual tax return. For about half of those people, the information that is required can be automatically provided by employers and the like. They are currently asked to fill in information that is relatively straightforward and I don't think breaches. The Revenue sometimes has that information. For the other half of the people, they would have to input things like rental income but they could do that during the year and they would not have to fill in this big tax return at the end of it.

**Q262 Teresa Pearce:** Okay. Basically, it is not a scrapping of the tax return; it is the digitalisation of tax returns.

**Mr Osborne:** For many millions of people the effect is to remove the hassle of having to fill in a tax return. It would all happen automatically for people, like it does for many millions of other people who have PAYE.

**Q263 Teresa Pearce:** Forgive me if I do not have a lot of confidence in HMRC to be able to do that, given the fact that up until now they have had all the information for lots of people where they have had two or three jobs and still

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<sup>10</sup> RTI, or Real Time Information, is system by which employers & pension providers operating PAYE regularly submit information through the tax year to HMRC. For details see, HMRC, [Issue Briefing – Real Time Information for PAYE](#), January 2013.

not managed to code or tax them correctly. Best of luck with this; I hope it works.

**Mr Osborne:** Thank you.

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[Letter from Chair of Treasury Committee to the Financial Secretary re quarterly tax returns](#), 8 January 2016

Dear Mr Gauke

### **Making tax digital (quarterly 'tax returns')**

We have spoken informally about this and, as you know, the Treasury Committee has been seeking more information on it since the concerns about "quarterly tax returns" first gathered pace after the Autumn Statement, which took further the announcement on digital tax accounts at the March 2015 Budget.

Many small businesses, and their tax advisers, are deeply concerned about these proposals. This is scarcely surprising given the lack of detailed explanation, readily available from the Government, about how the proposals will be implemented. As the available material makes clear, implementation will take place between 2018 and 2020.

The only substantive outline of the proposal so far available describes it as "efficient and easier for businesses". With that, and the concerns expressed about it, in mind, and as a first step, I would be grateful if you would provide an assurance that:

- businesses will not be compelled to pay tax sooner than currently;
- businesses will not be required to provide quarterly updates requiring more burdensome record keeping than currently;
- adequate arrangements will be made for those businesses who do not use computers; and
- all the details, including the associated penalty regime, will be subject to full consultation prior to any decisions.

I will be placing this letter, and your reply in due course, in the public domain.

Yours sincerely

Rt Hon Andrew Tyrie, Chairman of the Treasury Committee

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## 3.2 Parliamentary Questions

[Taxation: Written question – 228496](#), 24 March 2015

**Q Asked by Chi Onwurah :** To ask Mr Chancellor of the Exchequer, with reference to [paragraph 1.108 of Budget 2015](#), whether people will be able to opt out of the digital tax accounts.

**A Answered by: Mr David Gauke :** HM Revenue & Customs intends to provide all of its customers with their own personalised digital tax account. To what extent a person chooses to use their digital tax account will be an individual choice.

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[Taxation: Written question – 228639](#), 25 March 2015

**Q Asked by Chi Onwurah :** To ask Mr Chancellor of the Exchequer, where he plans digital tax accounts will be held; how he plans to protect such accounts against cyber attacks; and what safeguards he plans to put in place for those accounts to protect privacy.

**A Answered by: Andrea Leadsom :** The digital tax accounts will be accessible through Gov.UK and are therefore protected by the strong security built into that product to protect the accounts from cyber attacks. For anyone to access the digital accounts they will have to have authenticated their identity through the Government Gateway process or by the Verify route. These robust identity checks will enable customers to securely access their data within their account.

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[Taxation: Written question – 258](#), 2 June 2015

**Q Asked by Louise Haigh :** To ask Mr Chancellor of the Exchequer, what plans he has to simplify the tax system for small businesses and the self-employed.

**A Answered by: Mr David Gauke :** At Budget 2015, the government announced that it would modernise the tax system by introducing digital tax accounts for everyone by the end of this Parliament. Self-Assessment for small businesses will operate through digital tax accounts with the UK's five million small businesses having access to a secure digital tax account by early 2016.

The government will publish, by the end of this year, a roadmap setting out proposed changes to modernise the tax system, making it easier for all customers to manage their affairs online and pay the right tax at the right time.

The Government will also simplify the tax system specifically for the self-employed, by abolishing Class 2 National Insurance contributions (NICs) and consulting on introducing a new contributory benefit test into Class 4 NICs.

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[Revenue and Customs: Written question – 4213](#), 1 July 2015

**Q Asked by Gordon Henderson:** To ask Mr Chancellor of the Exchequer, what steps he is taking to improve customer service at HM Revenue and Customs for small businesses.

**A Answered by: Mr David Gauke :** Most small businesses engage with HM Revenue and Customs (HMRC) digitally. 1.4 million businesses are already using the new digital tax account, and most register, file and pay online.

HMRC is expanding its range of digital help and support for small businesses, including YouTube videos, webinars and webchat to help them understand their obligations and how to meet them.

HMRC also offers tailored support to new businesses and those which are first time employers or new to VAT. These services are increasingly popular and small business feedback on them is very positive. HMRC provides an assisted digital service for those who are unable to engage digitally.

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[Business: Written question – 12651, 28 October 2015](#)

**Q Asked by Mr Mark Williams :** To ask Mr Chancellor of the Exchequer, what support the Government is giving to unincorporated businesses via the taxation system.

**A Answered by: Mr David Gauke :** The government is committed to supporting unincorporated businesses. At Budget 2015, the government announced that it would transform the tax system over the course of this Parliament by introducing digital tax accounts for everyone, removing the need for annual tax returns.

In addition, the government has introduced cash basis accounting so that the smallest businesses can report their income and expenses to HMRC in a simpler way.

Building on recommendations by the Office of Tax Simplification (OTS), the government will consult in autumn 2015 on abolishing Class 2 NICs and reforming Class 4 NICs. This will simplify the NICs system and reduce the administrative burden of NICs for millions of self-employed individuals.

At Summer Budget 2015, the Chancellor announced the Annual Investment Allowance would rise to its highest ever permanent level from January 2016.

The allowance enables businesses, including unincorporated businesses, to write down 100% of all qualifying investment in plant and machinery against its taxable profits up to £200,000, providing a cash flow benefit to companies who invest.

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[Taxation: Written question – 21032, 11 January 2016](#)

**Q Asked by Jim Shannon :** To ask Mr Chancellor of the Exchequer, what discussions he has had with organisations representing self-employed people on the potential effect on such people of implementing quarterly tax returns from 2020.

**A Answered by: Mr David Gauke :** The Government has no plans to introduce quarterly tax returns for business. The Government is introducing simple, secure and personalised digital tax accounts, removing the need for annual tax returns. Updating HM Revenue and Customs (HMRC) through software or apps will deliver a light-touch process, much less burdensome and time-consuming than it is today.

The Government will consult on the details of these proposals throughout 2016 and will publish a Tax Information and Impact Note (TIIN) in the usual way. This will include an estimate of the impacts on business. The Government routinely publish TIINs for tax policy changes when the policy detail for those changes is finalised or near-finalised.

HMRC has discussed these reforms with a range of professional bodies and advisory groups representing small businesses and the self-employed. HMRC has also engaged extensively with a range of professional bodies and other stakeholders representing the accountancy profession.

On 14 December 2015, HMRC set out details of its plans at its annual stakeholder conference, which was attended by a large number of different organisations representing small businesses.

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[Business: Written question – 20876](#), 11 January 2016

**Q Asked by Ms Tasmia Ahmed-Sheikh :** To ask Mr Chancellor of the Exchequer, what estimate he has made of savings to businesses of his Department's plans to introduce quarterly tax returns for businesses.

**A Answered by: Mr David Gauke :** The Government has no plans to introduce quarterly tax returns for business. The Government is introducing simple, secure and personalised digital tax accounts, removing the need for annual tax returns. Updating HM Revenue and Customs (HMRC) through software or apps will deliver a light-touch process, much less burdensome and time-consuming than it is today.

The Government will consult on the details of these proposals throughout 2016 and will publish a Tax Information and Impact Note (TIIN) in the usual way. This will include an estimate of the impacts on business. The Government routinely publish TIINs for tax policy changes when the policy detail for those changes is finalised or near-finalised.

HMRC has discussed these reforms with a range of professional bodies and advisory groups representing small businesses and the self-employed. HMRC has also engaged extensively with a range of professional bodies and other stakeholders representing the accountancy profession.

On 14 December 2015, HMRC set out details of its plans at its annual stakeholder conference, which was attended by a large number of different organisations representing small businesses.

## 4. Press releases

### 4.1 HMRC / HM Treasury

HM Revenue & Customs press notice, [\*Digital by default: HMRC pioneering the way in digital public services, 29 July 2014\*](#)

HM Treasury press notice, [\*HM Revenue and Customs' settlement at the Spending Review 2015, 25 November 2015\*](#)

HM Revenue & Customs press notice, [\*David Gauke sets out vision for making tax digital, 14 December 2015\*](#)

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#### **HM Revenue & Customs press notice, [\*Digital by default: HMRC pioneering the way in digital public services, 29 July 2014\*](#)**

David Gauke opens pioneering HMRC digital delivery centre as over a quarter of a million more customers renew their tax credits online this year.

Financial Secretary to the Treasury, David Gauke today opened a new HM Revenue and Customs (HMRC) digital facility in Newcastle, which is revolutionising the way HMRC does business by moving more transactions online for customers.

The new HMRC digital delivery centre is the first of its kind in government, and is a blueprint for how other public sector organisations can deliver digital services in the future. The centre will play a pivotal role in developing increasingly more online services for customers such as online tax accounts and digital self-assessment. The opening comes as figures show that over a quarter of a million (276,000) people have renewed their tax credits online this year, proving the scope for the rapid expansion of HMRC's services to operate online.

Financial Secretary to the Treasury David Gauke said: "Being digital by default not only means creating simpler and better services for millions of HMRC customers, but saving tax payers' money in the process too. It's a privilege to open the new HMRC digital delivery centre in Newcastle today, which is pioneering the way in making services better and cheaper. I look forward to seeing the results of their innovative work in the coming months and years."

On his visit to the centre, David Gauke sat in on a customer feedback session and saw firsthand how HMRC is developing services around customers' needs. Customers had a chance to preview new transactions online which are currently in development, such as 'friends and family', which allows someone to nominate a person to act on their behalf in their tax matters.

They then fed back to the teams what they liked and disliked about the service on different platforms, and how it can be improved. Their comments will now be taken on in the next design stage of the services to benefit future customers who will use it when it is fully rolled out.

Recent HMRC customer feedback shows that 95% of customers are satisfied with the online tax credits service.

HMRC's digital vision is to provide all of its customers with their own individual tax account - through which they can see all of their tax affairs and deal directly with HMRC.

HMRC handle 1.15 billion transactions a year - 70% of all government transactions. This includes:

- 304 million PAYE transactions (of which 95% are completed digitally)
- 20 million VAT transactions (of which 85% are completed digitally)

In total, the government spends about £6 to £9 billion on transactional services every year.

The [digital efficiency report](#), which was published alongside the [Government Digital Strategy](#), suggests that if these services were made digital by default, the government could save between £1.7 billion and £1.8 billion every year.

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### **HM Treasury press notice, *HM Revenue and Customs' settlement at the Spending Review 2015, 25 November 2015***

The Chancellor has published the results of the Spending Review, including details of HMRC's budget over the course of this Parliament.

The Spending Review and Autumn Statement delivers on the government's priority to provide security to working people at every stage of their lives. It sets out a 4 year plan to fix the public finances, return the country to surplus and run a healthy economy that starts to pay down the debt. By ensuring Britain's long term economic security, the government is able to spend £4 trillion on its priorities over the next 4 years.

For HM Revenue and Customs (HMRC) this means:

- £717 million of sustainable resource savings a year by 2019-20, achieving £1.9 billion cumulative savings over the Spending Review period, representing a headline 21% reduction in baseline resource costs, delivered through digitisation of tax collection and a smaller but more highly skilled workforce
- £1.3 billion reinvested to transform HMRC into one of the most digitally advanced tax administrations in the world, with access to digital tax accounts for all small businesses and individuals by 2016-17, delivering an additional £1 billion of tax revenue by 2020-21 and sustainable efficiencies
- £800 million confirmed funding for additional work to tackle evasion and noncompliance in the tax system, delivering an additional £7.2 billion over the next 5 years
- £400 million total reduction in business customer costs by 2019-20



**HMRC settlement (£ billion)**

	2015/16 baseline	2016/17	2017/18	2018/19	2019/20	2020/21 [3]
Resource DEL [1]	3.3	3.5	3.4	3.1	2.9	*
Capital DEL [2]	0.1	0.2	0.2	0.2	0.2	0.2
Total DEL	3.5	3.8	3.6	3.4	3.1	*

[1] In this table, Resource Departmental Expenditure Limits (DEL) excludes depreciation

[2] Includes £45m over the period for the Valuation Office Agency

[3] 2020-21 Resource DEL departmental budgets have only been set for some departments. For the rest, these budgets will be set in full at the next Spending Review

HMRC will continue to tackle fraud and error in the tax credits system and will work with debt collection agencies to collect £324 million of tax credit debts owed by 2019-20.

**Long-term investment**

This Spending Review confirms funding to maintain HMRC's current level of compliance performance while making efficiencies, and £800 million to fund additional work to tackle evasion and non-compliance by 2020-21. The government is committed to raising an additional £5 billion a year through tackling avoidance, aggressive tax planning, evasion, non-compliance and imbalances in the tax system by 2019-20.

**Efficiency and reform**

Through re-investment of £1.3 billion HMRC will transform into one of the most digitally advanced tax administrations in the world, becoming more effective, efficient and easier for taxpayers to deal with while delivering sustainable efficiencies and almost £1 billion of additional tax revenues by reducing errors through record-keeping. All individuals and businesses will be able to view their tax affairs in real time, providing them with greater certainty about the tax they owe. HMRC expects the number of calls to reduce from 38 million in 2015-16 to 15 million in 2019-20, as customers increasingly find all the information and services they need online.

HMRC will find significant savings by consolidating its estate from 170 offices to 13 large, modern regional centres. These centres will bring staff into more cost-effective buildings while making it easier for HMRC teams to collaborate and modernise the way they work.

Chief Executive of HM Revenue and Customs, Lin Homer, said: "This settlement will enable HMRC to become more highly-skilled and more cost-effective as it transforms into one of the most modern and digitally advanced tax authorities in the world. The tax system will be streamlined and customer service improved

through better use of data, both for catching the dishonest minority who try to cheat the system and supporting the honest majority in getting their tax right. And we'll do this while increasing the extra tax collected from those who do not pay the tax they owe by £7.2 billion by 2020-21."

\*

**HM Revenue & Customs press notice, [David Gauke sets out vision for making tax digital, 14 December 2015](#)**

**Financial Secretary to the Treasury's speech to the HM Revenue and Customs stakeholder conference on 14 December.**

Good afternoon, and welcome to HMRC's first-ever Christmas conference.

It's been quite a year – two Budgets, a Spending Review, an Autumn Statement, and of course a General Election. Lots of work has been done, lots of changes have been put in place, and I suspect that many of you, like me, are now looking forward to some time away from the office. I certainly have one eye towards the upcoming Christmas festivities, as I'm sure many of you do. And as the father of three boys, I'm currently in the process of managing expectations around presents. We're having mixed progress on this in the Gauke household, but it's fair to say that digital expectations are high and will remain high. And as a government minister, I have to take some responsibility for that.

Because the government has similarly high digital expectations for HMRC, albeit expectations that must – and will – be met, and not just for Christmas! I am confident will be met. In every walk of life, people are embracing the digital revolution. From banking online to doing their food shopping, from advertising a business to paying invoices, millions of individuals and businesses are benefiting from the convenience and simplicity of digital services. But businesses and service providers are going further than simple digital interaction with their customers – they are harnessing the opportunities of the digital age to transform how their businesses work, and how they provide their services. And it's the customers who are reaping the benefits.

If businesses can do this then so should government. Our ambition is bringing the digital revolution to Whitehall – ensuring that the services it provides are similarly transformed. Last year for example, more than 27% of people renewed their tax credits online, almost doubling the previous year's figure. This online renewal service has been welcomed by users with customer satisfaction rates for the service reaching over 80%.

Life should be made easier for the customer. The tax system is no exception. My ambition is to make fundamental changes to the way the tax system works, transforming tax administration to make it more effective, more efficient and easier for people and businesses to pay their taxes. And we have made it a priority to invest in making that a reality.

Last month the Chancellor announced, as part of the Spending Review, a further investment of £1.3 billion to transform HMRC into one of the most digitally-advanced tax administrations in the world. This includes access to digital tax accounts for all small businesses and individuals by 2016-17, delivering an additional £1 billion of tax revenue by 2020-21.

And today I have published [‘Making Tax Digital’](#). This sets out the overall vision to achieving this transformation, the steps needed to get there over this Parliament, and details of the consultations to follow in the coming months.

‘Making Tax Digital’ is structured around four foundations:

First, ‘Tax simplified’ – All taxpayers will receive the data and services relevant to them and, for those who have difficulty going online or who need extra support, help will be available through other channels. Taxpayers shouldn’t 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.

Better data means fewer mistakes, fewer delays, and a better outcome for all parties. This is an important development both for individuals and businesses, which Jim [Harra] will talk about in greater detail in the next session. HMRC will use this data 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.

Second, making tax digital for businesses. By 2020, most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account. We will expect businesses to keep digital records and to update HMRC on a quarterly basis. But these updates will be done through software or apps and will be integrated into business’ digital record keeping. And I want to stress that this is the end of the tax return – this is not going to feel like doing four tax returns a year. Indeed, we expect these reforms to ease the admin burdens on businesses and to help them plan their cash flow more easily, by providing greater certainty about what they will owe.

Updating HMRC directly in this way will be secure, light-touch and far less burdensome than the tax returns of today. In a real-time economy we should match tax more closely with the related transactions – many taxpayers have told HMRC that they want more certainty over their tax bill, and don’t want to hold on until the end of the year or even longer to find out how much they have to pay.

Many businesses already use tools like these, but sometimes we need a catalyst to energise change. The requirement to use software or apps is this catalyst; it gives business certainty in terms of direction and allows full benefit from their use to be realised. Over the next year, HMRC will be undertaking a wide-ranging consultation exercise, and I want to work with you in ensuring that these reforms provide the maximum possible benefit for business.

Third, making tax digital for individual taxpayers’. By April 2016, every individual and small business will have access to a digital tax account which will be simple, personalised and secure, offering an ever-wider range of services. Individual taxpayers will be able to interact with HMRC digitally and at any time that suits them.

Fourth and finally, tax in one place. At the moment, many taxpayers have to contact different parts of HMRC to find out their financial position relating to

different taxes. A business may pay income tax, VAT, National Insurance or Corporation Tax; an individual may pay income tax, National Insurance contributions or student loan repayments, and receive Child Benefit; some people run a business as well as being an employee or having a pension. In the next five years, all taxpayers will be able to use their digital accounts to see a single, up-to-date and easy-to-follow overview of their tax affairs, just like they do in their online banking.

Together, all these elements will ensure that, by 2020, HMRC will have moved to a fully-digital tax system. So I'd like to share with you what that system could look like. Needlessly bureaucratic form-filling will be eradicated – taxpayers will not have to tell HMRC information it already knows. Unnecessary time delays will also be eliminated, because the tax system will be operating much more closely to 'real time'. This will keep everyone up to date, removing the risk of missed deadlines, unnecessary penalties, debts arising and errors in the tax system being carried forward from one year to the next.

Importantly, taxpayers would have 24/7 access to digital accounts, as well as having a complete view of all their tax liabilities and entitlements, allowing them to send HMRC information and payments simply and efficiently. And for those who have difficulty going online or who need extra support, help will be available through other channels. These taxpayers will be offered alternative means of support – over the phone, through face-to-face visits or through partners in the voluntary and community sector. We will also ensure free software is available for those with the simplest affairs. These reforms will quite simply transform the experience of millions of taxpayers. You'll hear more about these plans this afternoon, including how these will be implemented and how some aspects of their design will be the subject of further consultation.

And I would urge you all to get involved in shaping these plans – we want them to be the best they can possibly be. As we make tax digital, we will need to make sure that the new plans work for you, for the taxpayer, and for the UK. So we want to hear your voice and your views. Today I have also published a discussion document on payment, and we'd welcome your comments on that. We very much hope that events like today, as well as our more formal consultations, will give you and the people and organisations you represent the opportunity to contribute to this work, and shape tax administration for a generation to come.

So – before I hand back to Edward [Troup]– thank you for your work so far, have a relaxing Christmas break, and let's continue our conversations in the New Year.

\*

## 4.2 Other

Chartered Institute of Taxation press release, [\*Digital progress but not at the cost of service standards, warns Tax Institute, 25 November 2015\*](#)

Low Incomes Tax Reform Group press notice, [\*Pushing the digital tax account agenda could impose heavier burdens on self-employed, 25 November 2015\*](#)

Federation of Small Businesses press notice, [\*Small firms will struggle with new quarterly tax returns, says FSB\*](#), 14 December 2015

Business for Scotland, [\*Business slams Westminster for "anti-entrepreneurial" tax return plans\*](#), 11 January 2016

Low Incomes Tax Reform Group press release: [\*Tax professionals issue warning about move to quarterly tax reporting\*](#), 14 January 2016

\*

**Chartered Institute of Taxation press release: [\*Digital progress but not at the cost of service standards, warns Tax Institute, 25 November 2015\*](#)**

The Chartered Institute of Taxation (CIOT) has warned that HMRC's customer service standards, which have recently been heavily criticised, must not be allowed to decline further as HMRC seeks to transform itself into one of the most digitally advanced tax administrations in the world.

The Chancellor has today announced that there will be a headline 21% reduction<sup>1</sup> in baseline resource costs at HMRC delivered through digitalisation of tax collection and a smaller but more highly skilled workforce.

CIOT President Chris Jones commented: "We support moves to digitalise the UK tax system but the Government should not count their savings before they've been realised. "The 'Making Tax Digital' project is an ambitious programme which has the potential to deliver significant benefits to both taxpayers and HMRC, but it must be managed carefully and in consultation with taxpayers, tax professionals and software developers alike. It will be vital to ensure that the tax system itself can support the changes proposed and is fit for purpose in the digital age. Provision must be made for taxpayers who are not digitally engaged.

"HMRC, which is struggling to meet its public-facing service targets, has announced that it is about to lose many staff and close its local offices. A worry with this latest announcement about 'Making Tax Digital' is that in reality actual progress on transforming the tax system may lag behind HMRC's ambitious targets. We do not want to see further cuts in resources being made at HMRC before the full cost-savings that digitalisation promises are being delivered.

"HMRC say that 'Making Tax Digital' will eventually mean that most businesses will be required to update HMRC quarterly via their digital tax accounts. This sounds like it could create a lot of extra work for businesses and their advisers, and we are struggling to reconcile this with the announcement by the Chancellor today that the annual cost to business of tax administration will be reduced by £400m by 2019/20. This is another reason why HMRC must consult widely on these proposals before they are introduced to ensure that the final product is fit for purpose".

**Notes to editors**

<sup>1</sup> This figure is taken from HMRC press release - HMRC's Settlement at the Spending Review 2015 - <https://www.gov.uk/government/news/hm-revenue-and-customs-settlement-at-the-spending-review-2015>

\*

**Low Incomes Tax Reform Group press notice, [Pushing the digital tax account agenda could impose heavier burdens on self-employed](#), 25 November 2015**

The Low Incomes Tax Reform Group (LITRG) has expressed concern that using new digital tax accounts to make self-employed people report to HMRC more often will add to their workload.

The Chancellor announced today that most self-employed people, including landlords, would be required to update their tax information at least quarterly using their digital tax account. He is also consulting on bringing forward the payment dates for these taxes.

In his Budget statement earlier this year, the Chancellor announced that individuals and small businesses would be able to access digital tax accounts that would be used to make tax payments simpler. He has now confirmed that these accounts will be available by the tax year 2016/17, presumably meaning they will be available from 6 April 2016.

These accounts will contain all the tax information that HM Revenue & Customs (HMRC) already have about taxpayers. [For example, HMRC already receive monthly details from employers of pay and tax deductions; banks provide them with details of interest amounts earned; and the Department for Work and Pensions provides HMRC with information on various state benefits including the state retirement pension.]

The announcement earlier this year anticipated that individuals would be able to review their digital tax account and use it to make any tax payments necessary. The new announcements today widen considerably the functionality of these accounts, seemingly placing greater burden on individuals, businesses, the self-employed and landlords to actively manage and track their tax affairs digitally, using the digital tax account and apps to provide updates/returns to HMRC at least quarterly and potentially accelerating their tax payments.

Anthony Thomas, Chairman of the Low Incomes Tax Reform Group, said: "We gave a cautious welcome to the new digital tax accounts on the basis they might simplify matters for some low income taxpayers, although we remained very concerned that a significant proportion of the population, often the most vulnerable, remain digitally excluded. Extending the use of these accounts to enforce more regular reporting by the self-employed seems to us to show a total lack of understanding of the financial awareness of many business owners: even with exemplary records it might be very difficult for a business owner to report an accurate profits figure other than at the year end, unless he employs an accountant to help him.

"We would be very concerned indeed if this proposal goes ahead without significant consultation since the additional burdens for self-employed people both in terms of administration and potential costs will almost certainly be substantial enough to discourage entrepreneurship altogether. Consultation is expected on accelerating tax payments, another worrying development which could go spectacularly wrong for the self-employed and we will be considering these carefully together with any transitional arrangements."

\*

**Federation of Small Businesses press notice, [Small firms will struggle with new quarterly tax returns, says FSB](#), 14 December 2015**

Commenting on the plans which will require small businesses to move from annual to quarterly digital tax reporting by 2020, John Allan, National Chairman at the Federation of Small Businesses, said: "While the FSB supports HMRC's digital transformation, members are deeply concerned with the move to enforce compulsory online quarterly reporting of their tax submissions. Adding more reporting appears out of step with wider Government attempts to reduce the regulatory burden and to streamline tax arrangements. Members already spend on average £3,600 completing their tax returns, with many still completing theirs manually.

"The UK's self-employed will particularly struggle with this change. We therefore want to see proper consultation with business groups and professional bodies, a clear statement of benefits to the business community and a package of support to help offset this new burden on business.

"The push towards digital must be introduced alongside tax simplification, with businesses able to choose the best tax reporting process appropriate for them."

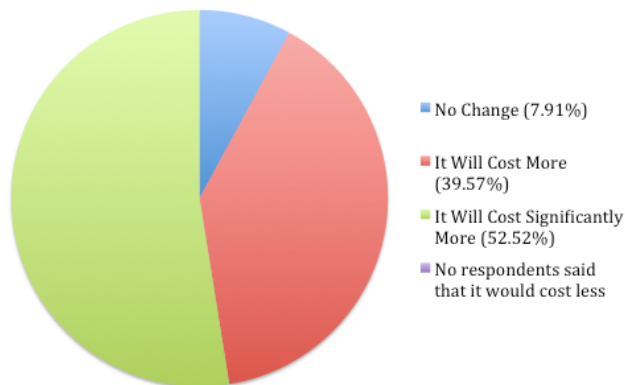
\*

**Business for Scotland, [Business slams Westminster for "anti-entrepreneurial" tax return plans](#), 11 January 2016**

Businesses claim Westminster's plan to enforce the submission of four tax returns every year is anti-entrepreneurial, and have warned this will incur unnecessary cost and waste time. Business for Scotland is today (Monday, January 11 2016) calling on Chancellor George Osborne to reconsider and scrap this well-intentioned, but administratively unworkable policy, and is encouraging the Scottish government to oppose it vigorously.

The overall consensus from 278 BfS members we surveyed since Tuesday is almost universally negative and, strangely enough, even accountants who responded felt it would be too much red tape for their clients – they were against the scheme, despite the fact they stand to gain extra fees.

**What cost impact do you believe filing three extra tax returns a year will have on your business?**



92% of BfS members surveyed think it will cost them more or significantly more, and believe they already have enough challenges to deal with. The

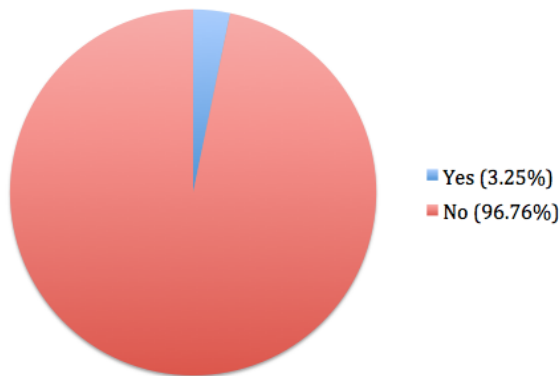
majority are concerned about increased stress, fears that the accountancy fees will be increased, and that they will be constantly preparing for the next tax return.

BfS finance spokesman Ian McDougall is both an accountant (McDougall Johnstone) and small business owner (Co-founder of The Glasgow Distillery). He said: "I'm in the fortunate position of being able to view this from two sides; that of an accountant who stands to benefit from increased business as a result of the proposed legislation and a business owner who stands to lose, due to what is time consuming, unwarranted bureaucracy and additional costs.

"The truth is that this is unnecessary red tape, which will inflict additional costs on small business owners. It will act as a disincentive to entrepreneurs, people considering becoming self employed and very small businesses, who will be hit worst as they are the least able to afford the time, cost and frankly the stress that will accompany this proposed legislation."

Ian said: "We'd like to see this anti-entrepreneurial legislation dropped. Westminster should be looking at ways to remove the burden of tax administration and bureaucracy from small businesses, allowing them to focus on growing their companies and creating jobs, rather than getting in their way."

**In your opinion does George Osborne understand the impact of red tape on small to medium sized businesses?**



These views were echoed by the BfS membership, with 97% saying they believe Chancellor George Osborne doesn't understand the impact of red tape on SMEs. And while 58% of those surveyed agreed with the proposal to move to online reporting only, more than half (58%) weren't actually aware of the proposal to submit quarterly returns.

Meeting the annual tax return deadline can be challenging for many, particularly very small businesses and the self-employed, so to be forced to complete a quarterly return and keep records up to date in case of inspection by HMRC simply increases the risk of missing a deadline and being fined. Around four million people across the UK will be affected: the self-employed, small business owners and landlords who make more than £10,000 a year profit.



**Low Incomes Tax Reform Group press release: [Tax professionals issue warning about move to quarterly tax reporting, 14 January 2016](#)**

The LITRG cautions that compelling small businesses to submit information digitally will result in previously compliant individuals, who find themselves unable to satisfy their new obligations, becoming involuntarily non-compliant.

This follows the news that a parliamentary petition<sup>1</sup> calling on the Government to scrap plans to make small businesses and self-employed individuals report their tax data quarterly through their digital tax accounts has gathered more than 106,000 signatures in its first three weeks. The number means that Parliament must now debate it. LITRG is worried that the smallest businesses run by non-computer literate owners or those who do not keep sophisticated tax records may face sanctions from HMRC because they will be unable to meet the new quarterly obligations. Those most at risk of failing to meet the requirements include older and disabled people and those living in remote areas.

Anthony Thomas, LITRG Chairman, said: "The Government's approach is simplistic and betrays a worrying ignorance of how most businesses actually operate. Companies which do not already use record-keeping software, or are using software that will be incompatible with HMRC's digital accounts, will have to spend a great deal of time transposing their business records onto new systems to satisfy HMRC – time spent in an activity of little or no value to them or their customers. "It is very harsh that the smallest businesses with the lowest profit margins may be required to undertake significant investment and training in computer technology simply in order to comply with HMRC's reporting requirements, and for no other purpose.

"Instead of mandation, HMRC should develop software that is so much more convenient and easier to operate than any alternative that people will naturally choose to use it, as is already the case with online self-assessment filing. That approach we would fully support. Alternative methods of reporting must be realistic; requiring a pensioner business owner to use a smartphone if they cannot use a computer would not be a sensible alternative. It is surely right that people should have the choice about methods they use to submit their tax information? Forcing people to do what they cannot do will only create hard cases, and hard cases make bad law."

LITRG warns that it is 'inevitable' that compulsory quarterly reporting will lead to compulsory quarterly tax payments, which will cause yet more problems for the smallest businesses.

Anthony Thomas said: "We are keen to hear further details when the Government issues its promised consultation. It is essential that the circumstances and capability of the smallest enterprises are taken into account when devising the new policy, and that nobody is forced to do something they cannot."

The online petition 'Scrap plans forcing self-employed & small business to do 4 tax returns yearly', signed by more than 106,000 can be viewed [here](#) [1]. It will be debated in the House of Commons' Westminster Hall chamber on Monday 25th January.

## 5. Press Articles

Copyright restrictions prevent the reproduction of the text of these selected articles.

["Tax returns will have to be filed four times a year, George Osborne announces"](#), *Daily Telegraph*, 25 November 2015

["Tax returns to be quarterly for landlords and self-employed"](#), *Financial Times*, 4 December 2015

["Fill in your tax returns FOUR TIMES every year"](#), *Daily Mail*, 11 December 2015

[More than 100,000 small firms demand rethink on HMRC tax proposal](#), *Daily Telegraph*, 4 January 2016

["SMEs won't have to submit quarterly tax returns, UK200Group assures"](#), *Accountancy Age*, 6 January 2016

["Tax plans to bind small firms with more red tape? No thanks"](#), *Guardian*, 7 January 2010

["Andrew Tyrie weighs into tax row over plans for quarterly reporting"](#), *Times*, 11 January 2016

["Small businesses fight back against digital tax plans"](#), *Financial Times*, 18 January 2016

## 6. Public online engagement in advance of the debate

This section of this briefing was provided by the Petitions Committee.

The Petitions Committee has said it would “do all it can to maximise the potential for petitioners and other members of the public to be involved with debates on petitions.” With this in mind the Committee asked petitioners to share their views via Twitter on the following;

- What do you think of the Government’s response to this petition?
- What points would you like MPs to raise in the debate?
- What questions would you like the Government to answer?

They were asked to submit their views using #HoCpetitions before 10am on Thursday 21 January. The Committee also informed petitioners that a summary of the tweets will be provided for MPs ahead of the debate.

The Committee received 1285 tweets from 565 contributors in 24 hours. All of the tweets can be viewed by searching #HoCpetitions.

### Summary of key points made on Twitter

#### Why aren't big businesses required to do this?

Some people asked why small businesses and the self-employed are being required to submit information four times a year while larger businesses are not required to do so. There was also some concern that the government was asking small businesses to do this, even though many of them may not have the necessary finance and resources, while not asking the same of larger businesses, which have the finance and resources for this kind of administration. Many felt that small businesses and the self-employed were being penalised. Some people also suggested that the Government’s efforts to close the tax gap should focus on big businesses which avoid tax rather than on to small businesses.



sophy @sophyhenn · 20 hrs

#HoCpetitions if it's about unpaid taxes, maybe there are some larger companies you should be looking into before you penalise self employed



anmoboy @colinjameshaig · Jan 20

#HoCpetitions 4 tax returns per annum for small businesses while multi million £ corporations pay no tax under your system is unacceptable



**MURRAY ( ͡° ͜ʖ ͡° )** @MurrayCo · 19 hrs

Gov't says £6bn lost tax is why small biz must do 4 returns. Focus in wrong place. What about many £bn tax dodged by big biz?

[#HoCpetitions](#)

### Accountancy costs

Many people raised the issue of accountancy fees. They said that some small businesses and the self-employed would struggle to be able to afford the extra costs of accounting required to submit information four times a year. It was also suggested that this was especially unfair on low earners. In terms of the cost of accounting, some were also concerned that such costs could price small businesses out of starting up in the first place or put existing firms out of business.



**Michael Stoker** @StokerStoker · 15 hrs

[#HoCpetitions](#) accountants are expensive so doing 4 tax returns per year will price small businesses out of pursuing their startup



**Oggy Yordanov** @Oggs\_zone · 8 hrs

If I have to get my accountant to send updates 4 times a year, that will be costly, so not a fan of the idea. [#HoCpetitions](#)



**Contrapposto** @CContrapposto · 3 hrs

[#HoCpetitions](#) 115895 This change means consulting my accountant 4x per year - financial overkill for solo, self-employed earning <£15k



**Fenella Humphreys** @fhvln · 14 hrs

@[#HoCpetitions](#) as a freelance musician I could never afford to pay my accountant 4 times a year - unfair on low earners [#HoCpetitions](#)



**Andrew Collier** @andrewcollier · 15 hrs

Artists and actors with low earnings will suffer especially from quarterly digital tax updates. [#HoCpetitions](#)



**Jackie Woods** @jayfay7 · 18 hrs

As a start up business any money I make will be swallowed up in accountancy fees. I might as well give up. [#HoCpetitions](#)

Questions were also raised about whether the accountancy profession could cope with the increased demand in their services.



**Jonathan Toop** @JToopAssociates · 21 hrs

The accounting profession already under huge pressure from new deadlines will not cope with the yet further demands on it! [#HoCpetitions](#)

### Software

Some commenters said that most self-employed people would not have the software they need in order to submit information four times a year. Others pointed out that many small businesses keep paper based records (rather than digital ones) and that they would therefore struggle to submit quarterly information digitally. Some of the comments also seemed to question the Government's assertion (in its response to the petition) that "Updating HMRC through software or apps will deliver a light-touch process, much less burdensome and time-consuming than it is today."

Sue Millard commented that there was an assumption that all traders can use a computer and/or a smartphone, which isn't always the case.



**Tim Leighton-Boyce** @timlb · 3 hrs

Self-employed on less than min wage unlikely to own accounting software. 4 returns per year = burden, not just push button  
#HoCPetitions



**Private** @atirial · 23 hrs

#HoCpetitions For many clubs there are no 'existing digital business records'. Implementation would be a cost we can't afford.



**Derry Sketcher** @DerrySketcher · Jan 20

4 tax returns a year is unnecessary! Software is not 'doing the returns' for you & this will unfairly target small businesses #HoCpetitions



**Jeremy Polmear** @jeremy\_polmear · 23 hrs

#HoCpetitions I am computer literate but keep my affairs on paper and gather up once a year. Now I have to keep it on apps - much more work.

### Security issues

Security was also raised by some of those who commented, as not all small businesses have access to the internet. In such cases, businesses would have to use public internet access elsewhere to fill in their information. There were also concerns that with the process being digital, data could go missing.



**Private** @atirial · 5 hrs

Several local businesses do not have (or want) web access. Giving tax and bank details through the library is hardly secure. #HoCPetitions



**Jack Halford Artist** @JackHalford · 19 hrs

**@HoCpetitions #HoCpetitions** making tax digital will be a very bad idea as the data could be easily lost, this could also stress people out

Who will benefit?

Petitioners also questioned who the beneficiaries of the new system would be. They felt that it wouldn't be small businesses and the self-employed.



**C# Music Tuition** @Csharp\_music · 2 hrs

**#HoCpetitions** who is the Quarterly tax return benefitting? Because it isn't the small businesses and self employed!

One petitioner emailed to say that "the benefit to the Treasury is wholly disproportionate to the burden that will be imposed on small taxpayers who do not have a department to process yet more questionable administration".

Capability of HMRC to implement the changes

Some of those who commented questioned whether HMRC had the capability to take on this extra work. Some were concerned that existing difficulties with accessing support from HMRC would be exacerbated by the proposals.



**Jonathan Toop** @JToopAssociates · 21 hrs

There is no guidance available from HMRC, contact centres have been closed & it takes ages for telephone calls to be answered! **#HoCpetitions**



**Emma Chittenden** @emchi · 23 hrs

If HMRC struggles to process self assessment yearly, how can they competently be expected to do so 4 times a year? **#HoCpetitions**



**Jo Waltham** @JoWaltham · 17 hrs

**#HoCpetitions** how will HMRC cope with the additional returns? Have you tried to contact them recently???



**MURRAY ( MurrayCo )** @MurrayCo · 18 hrs

HMRC cannot cope now with tax queries. How much worse will it be if small biz have to file 4 times a year? **#HoCpetitions**

Burden on businesses

Many people said that the proposed changes would have an impact upon their ability to run their business. Some said that this would be a significant additional burden. Others stated that they would lose money from having to take time out of work to sort and fill in the information. The petitioners also believed that this would impact more severely on the self-employed and those already struggling.



**tina walker** @earthto · 21 hrs

I am a screenwriter. Last year I had 50 + deadlines to meet. I do not have time to waste on 3 additional tax returns for HMRC #HoCpetitions



**OneRedSock** @OneRedSock · 2 hrs

@deidrebrock Please don't let the planned requirement for 4 annual returns to HMRC go ahead! More admin = less work. #HoCpetitions



**Roger Langridge** @hotelfred · Jan 20

Self-employed cartoonist; annual tax returns already a 2-day time-sink. 4x a year is an extra week I'm not earning anything. #HoCpetitions



**Your Event Music** @Nichequartet · 3 hrs

Submitting accounts 4x a yr - another restrictive burden for self-employed/entrepreneurs. Gov should focus on helping us grow! #HoCpetitions



**Butt House - B&B** @Butthousekeld · 5 hrs

#HoCpetitions I will not be able to pay the accountants fees! We run a seasonal business working 16 hrs a day in summer. No time to do this

Josephine Barker also emailed in and shared her experience;

“Small traders need support not obstacles & I hope my story shows the reality of people earning less than £5000. The hours that go into this kind of business beggar belief & if we were paid on an hourly rate for all our efforts in some cases it would be pennies. However it’s a way of life for many & these people are willing to put the hours in to have the independence of running their own business. Asking then to fill in four tax returns a year would only add to the hardship”.

"One size fits all": the variety of small businesses

Some people raised concerns that the proposals would not be flexible enough to work for every small business or sole trader. Variety includes size, staffing, type of work and annual turnover. There was a question about what the proposals might mean for partnerships.



**Viviane Schwarz** @vivschwarz · Jan 20

**#HoCpetitions** the nature of small business/self employed is very varied and can't just be covered with new shiny apps without a hitch.

**Nathan Ryder** @DrRyder · 21 hrs

**#HoCpetitions** Making Tax Digital seems like a "one size fits all" approach, when we know businesses come in all shapes and sizes (1/2)...

**Nathan Ryder** @DrRyder · 21 hrs

**#HoCpetitions** No mention in official response of how Making Tax Digital would impact partnerships. Any ideas?

Impact on people with disabilities

Some comments raised concern about the possible impact on people with disabilities.



**KylieHolmes** @KylieHolmes · 18 hrs

**@HoCpetitions** have you given consideration to dyslexic and dyspraxia self employed who already struggle with 1 return let alone 4  
**#notfair**

Government response to the petition

Some petitioners said that they were not satisfied with the government's response. In particular, some people felt that the response demonstrated a lack of understanding of the realities of running a small business.



**sbsurveyors** @sbsurveyors · 18 hrs

**#HoCpetitions** Poor Govt response - not credible - to 4 yearly tax returns. VERY costly for small business and ignores reality of business!



**Louise Gardner** @noodliedoodle · 24 hrs

**#HoCpetitions** "HMRC's comments show a fundamental lack of understanding of how small businesses keep their records"





Malcolm Taylor @4maITR · Jan 20

**#HoCpetitions**. Govt response shows scant regard to reality for small businesses. More cost, more time not concentrating on the business

Tony E e-mailed his comment about the Government's response, saying that it was:

"Predictable and naïve in its understanding of how small businesses in particular operate and how they devote their time to non-value gaining activity. It also makes enormous assumptions about how 'books' are kept".

#### Questions for the Government

Petitioners also sent us specific questions for the Government via Twitter and email.

One petitioner, who wished to remain anonymous, asked the following:

- 1) Why are the government focussing their energy on self-employed people and the taxes they return when multinational organisations are avoiding taxes?
- 2) Will the software and apps suggested be easy to use?
- 3) Will free training be provided for those who are not computer literate? Will the telephone filing be free for those not online?
- 4) Would an online system require certain equipment such as scanners? Will this means additional costs for the self-employed?
- 5) What type of support, specifically, will be given for people not online?

Tony E emailed and asked:

Why ask hundreds of thousands of companies to repeat the process when the department has the data already?

Other questions from Twitter included:



KylieHolmes @KylieHolmes · 18 hrs

**@HoCpetitions** can I ask what help are u going to give dyslexics in providing accounts 4 times a year?



Rick Grain @EffigyBlinds · 19 hrs

**#HoCpetitions** what's the difference between having to do 4 quarterly returns and keeping you financial records updated 4 times a year?



**Alex Marwood** @AlexMarwood1 · 19 hrs

It takes me up to two years and 4 goes to get foreign tax forms stamped by HMRC. Will this improve with 4 returns a year?

#HoCpetitions



**Jamie Pearn** @jay\_pearn · 19 hrs

When I become the owner of, and register 2, potentially 3 businesses in my name, I'll have to do 12 tax returns a year? #HoCpetitions



**Killgrace** @Killgrace1 · 20 hrs

#HoCpetitions Have you made provision for one person companies where the owner ends up hospitalised & incapacitated long term?



**TaxCalc** @taxcalc · 20 hrs

Quarterly tax reporting: has the increased dependency upon accountants been considered? #HoCpetitions



**Priya Kotecha** @dentaccountant · Jan 20

#HoCpetitions @HoCpetitions what will be the effect of 4 returns a year on the hmrc enquiry window and payments of tax?

← ↻ ❤️ ⋮



**Priya Kotecha** @dentaccountant · Jan 20

#HoCpetitions @HoCpetitions are small businesses to be given an allowance to pay towards the professional cost of filling 4 returns a year?

← ↻ 3 ❤️ ⋮



**Priya Kotecha** @dentaccountant · Jan 20

#HoCpetitions @HoCpetitions u say 4 returns will require no extra work. What about adj for dividends, cap allowances, amortisation, drawings?

← ↻ ❤️ 1 ⋮



**Priya Kotecha** @dentaccountant · Jan 20

#HoCpetitions @HoCpetitions you say 4 returns will be from digitalised business records & just click send. What if theyre not digitalised?

← ↻ ❤️ ⋮



**TaxCalc** @taxcalc · 20 hrs

Quarterly tax reporting: has the impact of accelerated tax payments on small businesses' working capital been considered? #HoCpetitions



**Lorna Easterbrook** @Lorna\_Stories · Jan 20

How will 1/4ly tax return support revision eg when accountant identifies capital expenditure across x years? #HoCpetitions

← ↻ ❤️ ⋮



**Annie McKenzie** @Annie\_Mck · Jan 20

#HoCpetitions please explain - in layman's terms - the exact reasoning for the proposal to do 4 tax returns yearly. Why are you doing this?

← ↻ ❤️ ⋮

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