

## Progress with making tax digital

### Response by the Chartered Institute of Taxation

#### 1 Executive Summary

- 1.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 19,000 members, and extensive volunteer network, in providing our response.
- 1.2 We agree that, in principle, digitalisation offers the best way to improve the efficiency and effectiveness of the tax system, improve HMRC's performance, and enable them to provide better support for taxpayers trying to do the right thing. But it should be allowed to grow organically, with systems created that are attractive enough that businesses choose to migrate to them, as has happened with online filing more widely.
- 1.3 Failure to consult properly on Making Tax Digital (MTD) has directly contributed to its delays, rescoping, and large-scale resistance to its requirements, which many see as unnecessary, or unduly onerous. It is a solemn reminder when developing tax policy that it is vital to follow the full tax consultation process,<sup>1</sup> particularly for major changes to the tax system. This ensures that tax policy can be developed in a collaborative way, with those whose support is needed to deliver that policy, including taxpayers themselves, their agents, and software companies. Otherwise, there will continue to be a significant 'policy gap' between what the government requires and what is practically achievable in the committed timescales.
- 1.4 The decision in December 2022 to further delay and rescope the policy was a necessary one, reflecting the lack of testing, awareness and functionality at that stage, and hence what might reasonably be expected to be delivered before April 2024.
- 1.5 However, that decision should have gone further. While the commitment to consult on the needs of smaller businesses was welcome, the government should be consulting on the fundamentals of MTD. Eight years have elapsed since the original announcement of the '*death of the annual tax return*', and the business landscape

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<sup>1</sup> <https://www.gov.uk/government/publications/tax-consultation-framework>, to which the government recommitted in 2017, <https://www.gov.uk/government/publications/the-new-budget-timetable-and-the-tax-policy-making-process/the-new-budget-timetable-and-the-tax-policy-making-process>

is different to that which existed in 2015, with many more businesses using digital tools. It is not apparent that the 'business case' for MTD, to the extent that it existed in 2015, still exists.

- 1.6 In the absence of such consultation, HMRC and government needs to act upon the feedback it is receiving from its current and previous engagement, and wider research. Some of the key 'pillars' of MTD for ITSA, such as quarterly reporting and the End of Period Statement, may no longer be appropriate, with more focus placed on improving accuracy in digital records through prompts and nudges, and improving guidance.
- 1.7 In any event, notwithstanding the deferral, the revised timetable remains extremely challenging. Major limitations within HMRC (which have always existed), such as being able to facilitate multiple agents for the same tax, must be overcome. Significant design elements such as reporting for jointly owned property are still to be determined. And large-scale testing of a full cycle of obligations must be undertaken.
- 1.8 The government should also undertake an in-depth evaluation of MTD for VAT, involving real business data. There is a lack of compelling data to demonstrate that MTD is indeed reducing the tax gap and delivering efficiencies for businesses. Until this is available, progressing with MTD for ITSA, with its associated costs for taxpayers, agents and HMRC, seems imprudent.

## **2 About us**

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 2.2 The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3 The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

## **3 Introduction**

- 3.1 We are pleased to provide our response to the Committee's Call for Evidence entitled 'Progress with making tax digital'. We have attempted to keep our comments relatively brief, although there is much to say around the development and implementation of this flagship government policy.
- 3.2 Our stated objectives for the tax system include:
  - A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.

- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

3.3 We set out below how MTD has so far failed to meet many of these objectives to the level we would expect.

#### 4 HMRC's original vision and plans

4.1 In the March 2015 Budget, the then Chancellor of the Exchequer, George Osborne, announced '*the death of the annual tax return*'. Nine months later, after a period of relative silence, MTD was launched in December 2015.<sup>2</sup> It was proclaimed that, by 2020, HMRC would have moved to a fully digital tax system where bureaucratic form-filling was eradicated, unnecessary time delays eliminated, and taxpayers would have access to digital accounts with the information HMRC needs automatically uploaded, bringing an end to the tax return.

4.2 In relation to MTD for Business, it was stated that '*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.***' [our emphasis]

4.3 The proposed timetable for MTD was also published in December 2015 as follows:

- April 2016 - every individual taxpayer will have access to their own digital account — simple, personalised and secure, offering an increasing range of services.
- 2017 - HMRC will further develop its use of real-time data — checking income, benefits-in-kind and personal allowances each month to make tax code adjustments that will help avoid under and overpayments altogether.
- April 2018 - most businesses will keep their records using digital tools and send that information at least quarterly to HMRC.
- April 2019 - Most businesses, self-employed and landlords start updating HMRC quarterly for VAT obligations through their accounting software.
- April 2020 – As above, but for Corporation Tax.

4.4 Once embedded, HMRC estimated that MTD would generate additional tax revenues, through reduction in errors and failure to take reasonable care, of around £900m per annum.

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<sup>2</sup> <https://webarchive.nationalarchives.gov.uk/ukgwa/20160114105542/https://www.gov.uk/government/publications/making-tax-digital>

## 5 Progress made before re-phasing the programme at the end of 2022

- 5.1 The implementation of the MTD programme to date has been far from satisfactory. We are not aware of any other tax policy that will, even if implemented as now planned in 2026, be delivered some eight years later than intended, and with such a significantly reduced scope at that.
- 5.2 The MTD announcements set out above were made before any consultation had been undertaken, yet contained commitments to its scope, key requirements and timescales. That was a significant mistake which has directly contributed to the delays, refocusing and large-scale resistance of the policy by businesses and their advisers.
- 5.3 The consultation which did take place during the latter part of 2016 was, therefore, at stage 2 of the consultation framework. It focused only on implementation, rather than on policy design. None of the key elements of the proposal were within scope.
- 5.4 The consultation responses, including our own,<sup>3</sup> highlighted many concerns; including around compliance costs, the alleged revenue and business benefits, and deliverability within the planned timescales.
- 5.5 In response, in March 2017 the government announced a one-year delay, to April 2019, to the income tax (ITSA) proposals for businesses trading below the VAT threshold.
- 5.6 Then, in July 2017,<sup>4</sup> the government announced that income tax would not in fact go ahead until at least 2020. Rather than deferring the whole policy, the timetable for VAT was confirmed as April 2019, ignoring calls for it not to coincide with Brexit, and the fact that the main ‘target’ of MTD are businesses who trade below the VAT registration threshold.
- 5.7 MTD for VAT
- 5.8 Before turning to MTD for ITSA, it is worth reflecting on the experiences of implementing MTD for VAT.
- 5.9 As noted above, while the implementation of MTD for ITSA was deferred, the original date of 1 April 2019 for MTD for VAT was confirmed.
- 5.10 In fact, the July 2017 announcement confirmed that the implementation date of 1 April 2019 would only be applied to businesses with (broadly speaking) turnover above the VAT registration threshold – referred to hereafter as compulsorily VAT registered businesses. Those with a turnover below the threshold - referred to hereafter as voluntarily VAT registered businesses – were deferred until a later date (see below).
- 5.11 Private testing of MTD for VAT was planned to start from April 2017, and public testing from April 2018. In fact, private testing did not start until early 2018, and public testing only started, for a limited number of businesses, in October 2018. For many businesses mandated from 1 April 2019, the pilot period was simply non-existent. This is wholly unsatisfactory, as there was (and remains the case for MTD for ITSA) no ‘test environment’ for businesses – they could only submit real figures, with real consequences such as exposure to interest and penalties, if there were errors or delays due to difficulties getting to grips with the new requirements.

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<sup>3</sup> <https://www.tax.org.uk/ref195>

<sup>4</sup> <https://www.gov.uk/government/news/next-steps-on-the-finance-bill-and-making-tax-digital>

- 5.12 Due to these delays, HMRC deferred the mandation date for over 35,000 of the more complex businesses until 1 October 2019. Even after that date, some of these deferred businesses (eg overseas businesses) were still unable to sign up to MTD due to problems with their or HMRC's systems.
- 5.13 Both prior to, and since 1 April 2019, relaxations have been granted for some of the requirements of MTD, which place impossible or impractical burdens on businesses. For example, the obligation to digitally link different software systems continues to be problematic for many businesses. This digital links requirement was initially deferred for twelve months after the business's MTD start date (ie to 1 April 2020 or 1 October 2020), and HMRC subsequently announced that businesses can apply for further time to put those links in place. Failing to understand what businesses can reasonably achieve is a consequence of inadequate consultation.
- 5.14 Numerous problems arose during the implementation of MTD for VAT, especially where an agent was supporting their client through the process. Whilst many of the problems affected a relatively small proportion of the mandated population, they took a disproportionate amount of time and effort to resolve. It is no surprise that performance on the VAT helplines plummeted in early 2019 to an average speed of answer of over sixteen minutes in May 2019.
- 5.15 Some three years after that for compulsorily VAT registered businesses, voluntarily VAT registered businesses were required to comply with MTD for VAT from 1 April 2022. Problems continue to arise in this cohort of businesses, such as 'unfulfilled obligations' (where HMRC's systems seem to lose details of old, submitted VAT returns, with HMRC pursuing the business for historical information / liabilities it has already submitted / paid).
- 5.16 In November 2022, HMRC closed the old VAT return portal to compulsorily registered businesses, automatically signing them up to MTD for VAT, obliging them to file their returns in accordance with the new requirements. Around 10% of compulsorily VAT registered businesses were non-compliant prior to that point. We understand that HMRC has done the same for voluntarily VAT registered businesses, where we understand the non-compliance rate was much higher, albeit a significantly shorter period has elapsed from their mandation date. As far as HMRC is concerned, MTD for VAT is now 'business as usual'.
- 5.17 HMRC published an evaluation of MTD for VAT alongside Budget 2020, stating that many aspects of the introduction of MTD have worked well, both for HMRC and businesses, but acknowledging that there were problems.<sup>5</sup> We, along with our sister charity the Association of Taxation Technicians, undertook a survey around the same time, which showed less-positive results.<sup>6</sup> Such as:
- Nearly 90% of respondents say that MTD for VAT has not reduced errors.
  - The costs of MTD compliance have far exceeded government estimates.
  - Just 14 per cent of respondents say there has been an increase in productivity in their organisation as a result of MTD for VAT.

We recognise that, in early 2020, MTD for VAT had been a requirement for less than a year, and only for compulsorily VAT registered businesses, so these can only be considered to be preliminary findings.

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/873574/Making\\_Tax\\_Digital\\_-\\_An\\_evaluation\\_of\\_the\\_VAT\\_service\\_and\\_update\\_on\\_the\\_Income\\_Tax\\_Service.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/873574/Making_Tax_Digital_-_An_evaluation_of_the_VAT_service_and_update_on_the_Income_Tax_Service.pdf)

<sup>6</sup> <https://www.tax.org.uk/policy-making-tax-digital-ciota-and-att-survey>

5.18 More recently, HMRC published research which concluded that *'there is a high likelihood Making Tax Digital is generating additional tax revenue by reducing errors and making it easier for businesses to get their tax right'*.<sup>7</sup> We would like to see more definitive research undertaken, reviewing the accounting records and VAT returns of actual, individual businesses, to determine the costs of compliance and whether MTD is actually reducing the tax gap and delivering benefits to businesses. We will be undertaking further research ourselves to ask these questions.

5.19 All the above provides necessary context. Most VAT registered businesses are used to interacting with HMRC on a quarterly basis, and using some form of digital tools, yet there were still significant delays and implementation issues. The ITSA population is not only larger, but used to interacting with HMRC just once a year, with fewer using digital tools. The challenges of digitising this population should not be underestimated.

#### 5.20 MTD for ITSA

5.21 Notwithstanding the fact that over seven years had elapsed since the original announcement of MTD in 2015, it was clear by late 2022 that a successful implementation of MTD for ITSA in April 2024 wasn't possible. We carried out a survey in autumn 2022,<sup>8</sup> with categorical results:

- 97% of respondents did not think that MTD for ITSA, in its planned form, could be successfully introduced from April 2024.
- 94% of respondents were uncomfortable with the level of taxpayer awareness.
- 94% were uncomfortable about taxpayers' ability to comply.
- 65% were uncomfortable about the availability of suitable software.
- Only 3% were comfortable about HMRC's capacity and resources to support taxpayers and agents.

5.22 In the light of the survey results, we recommended pausing the roll-out of MTD for ITSA, to allow time for further consultation.<sup>9</sup>

5.23 While progress had been made in terms of legislation and limited guidance, there remained far too many practical issues still to be overcome. These included:

- Adequate testing – the in-scope population for MTD for ITSA was (prior to the December 2022 announcement) around 4 million businesses and landlords. It is understood that very few taxpayers had joined the pilot; possibly less than 100. There were several reasons for this, including:
  - The strict eligibility criteria to join the pilot, rendering many taxpayers ineligible (eg because they had claimed a Self-Employment Income Support Scheme grant, or have a year-end which doesn't exactly match the tax year).
  - The lack of compatible software.
  - Lack of taxpayer appetite (ie to do something more onerous than what they are doing already, in a live environment).

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<sup>7</sup> <https://www.gov.uk/government/publications/evaluating-additional-tax-revenue-from-making-tax-digital-for-vat/evaluating-additional-tax-revenue-from-making-tax-digital-for-vat#conclusions>

<sup>8</sup> <https://www.tax.org.uk/MTD-ITSA-survey-2022>

<sup>9</sup> <https://www.tax.org.uk/new-digital-tax-reporting-requirements-for-self-employed-need-reboot-say-tax-professionals>

- Awareness – taxpayer awareness was relatively low, and there was little guidance on GOV.UK, with most messaging coming from third parties, thus lacking the impact and credibility of HMRC / government messaging.<sup>10</sup>
- Ability to comply – HMRC commissioned research had also indicated that a similar population of taxpayers thought that using software and sending quarterly updates would be difficult as compared to those who thought it would be easy.<sup>11</sup>
- Multiple agents – It is not currently possible to appoint more than one agent for a particular ‘head of duty’ (ie tax). Some taxpayers, for example, will want to appoint a bookkeeper to maintain their digital records and submit quarterly updates, but ask their accountant to undertake the end of year processes. While this is a limitation that has existed, and which we and others have been pressing for a solution to, for many years, it is unlikely to be resolved before April 2024.
- Jointly owned property – Many landlords jointly own property with family members or third parties. It was unclear, and remains undecided, how this income and expenditure should be reported under MTD for ITSA.

5.24 We therefore welcomed the government’s deferral of MTD for ITSA, although it was disappointing that the only consultation announced was in relation to the needs of smaller businesses, rather than a much-needed wider review of the general policy.<sup>12</sup>

#### 5.25 MTD for corporation tax

5.26 While there was a consultation on MTD for corporation tax (CT) in late 2020 / early 2021,<sup>13</sup> discussions around MTD for CT seem to have stopped entirely. This is unsurprising for two reasons:

- HMRC’s focus has been on completing the roll-out of MTD for VAT and introducing MTD for ITSA.
- While the summary of responses seeks to strike a positive tone,<sup>14</sup> many responses (including our own)<sup>15</sup> expressed concern at the likely costs of compliance, and lack of business benefits.

5.27 Following the December 2022 announcement, it is not clear when (if at all) MTD for CT will be introduced.

## 6 The realism of HMRC’s latest plans for the programme

6.1 The now-phased implementation of MTD for ITSA should give a greater chance of a successful roll-out. We understand that the number of businesses now in scope is around:

<sup>10</sup> See also the April 2022 research report at

[https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fuploads%2Fattachment\\_data%2Ffile%2F1125019%2F2022\\_MTD\\_for\\_ITSA\\_report\\_final\\_ODT\\_version\\_.docx&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fuploads%2Fattachment_data%2Ffile%2F1125019%2F2022_MTD_for_ITSA_report_final_ODT_version_.docx&wdOrigin=BROWSELINK) which states ‘Awareness of MTD in general, and MTD for ITSA specifically, was low in the qualitative interviews.’

<sup>11</sup> See above research report.

<sup>12</sup> <https://www.tax.org.uk/tax-professionals-welcome-delay-to-MTD>

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/934638/Making\\_Tax\\_Digital\\_-\\_Corporation\\_Tax.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/934638/Making_Tax_Digital_-_Corporation_Tax.pdf)

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1037191/Making\\_Tax\\_Digital\\_for\\_Corporation\\_Tax\\_consultation\\_-\\_summary\\_of\\_responses.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1037191/Making_Tax_Digital_for_Corporation_Tax_consultation_-_summary_of_responses.pdf)

<sup>15</sup> [https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/f80f26e1-9965-456a-aa67-81b15f98195d/mtd\\_corp\\_tax.pdf](https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/f80f26e1-9965-456a-aa67-81b15f98195d/mtd_corp_tax.pdf)

- 700,000 from April 2026 (turnover above £50,000).
- A further 900,000 from April 2027 (turnover above £30,000).

Partnerships are no longer within scope, and it is stated will be included from a later, unspecified, date.

- 6.2 However, notwithstanding the reduced scope, the timetable remains extremely challenging. Significant barriers to a successful implementation, such as functionality for multiple agents, still remain. Key elements of the programme, such as record-keeping and reporting for jointly held property, still have to be decided. These issues have existed since the announcement of MTD in 2015, and eight years later still haven't been resolved, giving little confidence they will be ready well ahead of April 2026. And sufficient software choices need to be available, and a full cycle of testing undertaken, before it becomes mandatory for that first phase of 700,000 taxpayers.
- 6.3 Since the December 2022 announcement, HMRC have been undertaking a series of 'co-creation' events with professional bodies, software companies and agents. These have addressed some of the likely problem areas of MTD for ITSA, such as quarterly updates, the End Of Period Statement and jointly owned property, and will shortly be considering multiple agents.
- 6.4 It is vital that the government listens to, and acts promptly upon, the feedback from these sessions, previous engagement, and considers the wider evidential and business climate, when considering the necessary steps between now and April 2026. Prior to the December 2022 announcement, the key elements of MTD (digital record keeping, quarterly reporting, End of Period Statement etc) were 'off the table'. It now seems like there is a genuine appetite to act on feedback received, and work collaboratively towards a policy that is deliverable. That is extremely welcome, and we would urge the government to keep all options on the table, including a rethink of some of the 'pillars' of MTD.
- 6.5 Thorough testing of the whole MTD process must also be undertaken prior to April 2026 - not only including quarterly reporting, but the end of year processes, too ie a full MTD for ITSA cycle – for a wide variety of businesses (eg sole traders and landlords, use of the cash and accruals basis, those with and those without a tax year accounting period etc). This will allow any problems or glitches to be identified and resolved prior to it becoming mandatory. We understand that HMRC recently stopped admitting people into the pilot, so it will be necessary to reopen the pilot soon. Therefore, any necessary rescoping of MTD for ITSA needs to be announced quickly to enable adequate time for software development and thorough testing. This should be accompanied by a detailed timeline of actions between now and April 2026, and a willingness to defer the project even further if milestones aren't met. We have enclosed as an appendix our recommendations for the implementations of new systems and processes by HMRC.
- 6.6 We are also concerned that HMRC will simply not have the capability to support the hundreds of thousands of businesses who will need to make the transition to MTD for ITSA. HMRC's service levels fell when MTD for VAT was introduced, and still haven't recovered after the pandemic. Yet they continue to be asked to do more with fewer resources. The population affected by MTD for ITSA are less used to interacting with HMRC regularly, through digital channels, and will be more difficult to convert than businesses within the scope of MTD for VAT. This issue is likely to be more acute if MTD for ITSA is introduced before it is proven to be ready.
- 6.7 Similarly, we have also previously raised concerns about the level of capacity within the agent market. Seemingly every year, agents also have to deal with substantial changes to the tax system. These currently include reform of the basis period rules, R&D tax relief changes, updates to HMRC's own processes (eg the new VAT registration service), and it seems likely that changes to the cash basis will be coming. We are already hearing of agents retiring in advance of MTD for ITSA being introduced, and there is likely to be a significant



time-commitment needed to prepare themselves (eg obtain software, train staff etc), enrol clients and give them the necessary support. We would urge the government to have a period of stability across the tax system, if a significant change such as MTD for ITSA is to be implemented effectively.

- 6.8 Finally, it is worth remembering the original assurances around MTD – that it will be light touch, far less burdensome, highlight possible errors and offer prompts for information that might otherwise be overlooked. If those aims aren't respected, resistance to the project will continue, the roll-out continue to be problematic, and it will fail to meet its objectives. If such a scenario is likely – which we think it is – it is time for a rethink.

## **7 Acknowledgement of submission**

- 7.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

7 June 2023

### Minimum standards for the introduction of new HMRC digital systems

We set out below what we believe are the minimum standards which should be applied by HMRC when developing new digital systems to be used by taxpayers and agents. In this regard we mean digital systems and processes by which taxpayers and agents interact with HMRC to fulfil their tax obligations (examples include the VAT registration service, the Trust Registration Service, RTI reporting, the property reporting service, Making Tax Digital etc).

1. Policy development should consider the extent of digitalisation required to deliver it.

*Changes to the tax system invariably require the introduction of new, or changes to existing, digital systems. When developing tax policy, the consultation process should include consideration of how the policy will be delivered, a realistic evaluation of how long new systems will take to put in place, and the costs of development and ongoing compliance.*

2. Consultation and testing of the digital system before its use becomes mandatory.

*New digital systems should be the subject of consultation and full end-to-end pilot testing process prior to their use becoming mandatory. Participation in testing should be voluntary, and encompass a variety of circumstances, including represented and unrepresented taxpayers, and both large and smaller agents. Systems should only become mandatory once this has taken place and any glitches rectified, so as to ensure they work as envisaged, meet the requirements set out below, and fulfil the policy objective.*

3. The new digital system has at least the same level of functionality as the system it replaces.

*HMRC's ambition is to be 'the most digitally advanced tax authority in the world'. New systems should deliver against that ambition and introduce additional, improved functionality without removing that which exists already. Where the new system requires the completion of digital forms, we have separately set out the minimum requirements for such forms.*

4. Interaction with existing HMRC systems is maximised.

*New digital systems should complement HMRC's existing IT infrastructure, pulling through information from existing systems, and seamlessly interacting with those systems. This will improve the overall 'customer experience', as well as improving accuracy and reducing costs all round.*

5. Guidance is available on how to use the new digital system before it goes live.

*This will enable its users to make the necessary preparatory steps to their procedures and in-house IT capabilities so they can use the new system effectively and it can deliver the intended benefits and functionality. This should include step-by-step guidance and up-to-date screenshots or YouTube videos to aid understanding. Those testing the system should be able to access the draft guidance to ensure it supports them through the process.*

6. The digital system should keep pace with legislative and policy changes.

*The digital system should be regularly reviewed and updated so that it reflects changes to legislative and policy requirements, so that its users remain compliant.*

7. The new digital system should respect existing agent authorisations, and that a taxpayer may use different agents for different taxes / obligations.

*HMRC's Charter promises to 'respect your wish to have someone else deal with us on your behalf', which might include multiple agents for various taxes / obligations. Where that wish has already been granted for a particular area of tax, it should not be necessary to repeat that authorisation as a result of the introduction of a new digital system.*

8. Agent access should keep pace with that for taxpayers themselves.

*One of the HMRC Charter promises is: 'Recognising that someone can represent you', and HMRC's vision is that agents should have access from the outset of new systems. This will ensure that taxpayers who have instructed an agent to deal with their affairs (a significant majority in some areas) do not miss out on the benefits of digitalisation, or are prevented from complying with their obligations.*

9. Agent functionality to mirror that for taxpayers themselves.

*In addition to the Charter promise of 'Recognising that someone can represent you', HMRC's vision is for agents to be able to see and do what their clients can. Adherence to these undertakings will ensure that taxpayers who have instructed an agent to deal with their affairs (again, a significant majority in some areas) can do so effectively, thus promoting compliance and reducing costs.*

10. HMRC staff are adequately trained and available to provide on-the-spot assistance.

*Even if all the above criteria are met, taxpayers and agents will need support from HMRC, whether to use the particular service (in which case a dedicated helpline should be considered), resolve glitches in the system, or those who simply need help to 'go digital'. HMRC must provide easily accessible and prompt support and recognise that non-digital channels (such as telephone helplines through to real, knowledgeable staff) will still have a role to play even as more and more services are moved onto digital channels, thus enabling compliance and reducing costs.*

11. HMRC, taxpayers and agents should see the same information.

*While in some circumstances third party software will present information differently, where HMRC's systems are being used it should be possible for HMRC to see the same information in the same format as that seen by the taxpayer or their agent. This will enable HMRC to better support its customers and minimise the confusion which currently exists in many areas.*

12. New digital systems should work for all affected taxpayers.

*All taxpayers faced with a particular obligation should be able to use the new digital system to comply. Groups of taxpayers (eg such as those based overseas, or without a National Insurance number etc) should not be left behind, or prejudiced, because HMRC's systems cannot accommodate their characteristics. Where there is a staged roll-out of obligations, the timescales and who is in / out of scope should be clear.*

13. Non-digital processes for those who cannot interact digitally or find it difficult to do so.

*All digital processes should have a credible, non-digital equivalent, to ensure those who cannot go online (because of their inability to do so, or because HMRC's systems do not accommodate them), or have difficulty doing so, are*

*not disadvantaged when interacting with HMRC. This will fulfil HMRC's Charter promises of 'being aware of your personal situation' and 'treating you fairly', so those users do not receive a 'second class' service.*

14. Accessible versions or characteristics of digital systems for those with particular needs.

*Digital systems should be accessible for those who can go online, but who have particular needs eg those who use screen readers. Again, this will fulfil HMRC's Charter promises of 'being aware of your personal situation' and 'treating you fairly', as well as complying with the Equality Act and meeting Web Content Accessibility Guidelines.*