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## **Modernising and standardising company tax returns**

### **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 20,000 members, and extensive volunteer network, in providing our response.
- 1.2. We are concerned that the proposed implementation timetable for full prescription of what should be included in computations submitted as part of the company tax return is too short. We encourage HMRC to seek more input from businesses, particularly large businesses who will face a significant and disproportionate additional compliance burden based on the current direction of travel for the computation requirements.
- 1.3. The approach of a one-size-fits-all does not reflect the complexities and burdens that will arise when scaled up across larger companies and groups and there is also little ability to tailor the computation requirements so that companies do not have to consider parts of the computation that are not relevant to them. We suggest that some flexibility is required to ensure a practical outcome.
- 1.4. We welcome the concept of an approved list of software but are concerned about the suggestion that a submission could be blocked if software is considered non-compliant. Although this is intended to only apply in the most egregious cases, the power presents a risk to taxpayers and agents, with little evidence to date with regards safeguards for either.
- 1.5. We are in favour of mandatory online filing of amendments, subject to appropriate exemption and would encourage HMRC to also permit companies to file online for amended computations after the end of the standard amendment time limit, for example after an enquiry.

## **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. Overview**

- 3.1. We recognise that the work on standardisation of company tax returns arises because of HMRC's perception that too many Corporation Tax returns currently provide insufficient key information. We also appreciate that the flexibility in presentation that is currently permitted results in significant variation in how similar information is presented to HMRC, making analysis difficult. We are not opposed to the concept of some standardisation to ensure that HMRC receives sufficient detail and data from all and recognise that standardisation of presentation would better enable HMRC to analyse this. However, it seems that the project is seeking to address issues that largely (but not exclusively) arising in relation to smaller companies, by adopting an approach that is the same for all companies, and, therefore, fails to take account of the complexities and burdens that will arise for companies in providing the information when scaled up across larger companies and groups. Also, there seems to be little ability to tailor the computation requirements to ensure that companies do not have to consider schedules and questions that are not relevant to them. The approach being taken and degree of detail that is being presented in the co-creation workshops would result in a disproportionate additional compliance burden for many companies. We suggest that HMRC undertakes a full assessment of the costs the measure would impose on businesses of all sizes before implementation. As noted below in our comments about the Impact Assessment, this has not yet been done. In addition, it is not clear that HMRC would benefit from the huge amount of data that would be provided to it in many cases.
- 3.2. Our stated objectives are for a tax system that includes (amongst other things) a fair balance between the powers of tax collectors and the rights of taxpayers and a responsive and competent tax administration, with a minimum of bureaucracy. It is difficult to see how this one-size-fits-all approach to company tax returns can deliver these objectives for the range of companies, from the very small single-director companies to the largest multinational businesses with hundreds of companies within their group.
- 3.3. The challenge is recognised in the consultation document, noting that the current flexibility is intended to accommodate the breadth and variety of the CT population. Whilst also noting that this had led to the perceived problems, and appreciating the aims of the standardisation, in our view some flexibility needs to be retained, particularly around the level of detail that companies will be required to report, to ensure a practical outcome.

- 3.4. Overall, what is currently being suggested would require reporting of a significant amount of additional information by all companies. However, clearly the amount of information feeding into the CT computation from one end of the CT population spectrum to the other is vastly different. During the co-creation workshops to date, HMRC have started from the premise that the information being asked for is (or should be) available to companies and we do not disagree with this. However, simply because information is available in some form within a company or group, does not mean that it can easily be extracted from the various systems within the business and put into the correct form required to be reported.
- 3.5. The level of detail that is in the draft schedules presented at the co-creation meetings will impose significant compliance burdens on larger businesses, adding to an already substantial compliance and reporting burden<sup>1</sup>. We suggest that HMRC should re-consider the level of detail that is required across the board to ensure that the new computation requirements recognise the varying potential compliance burdens so that the compliance burden is proportionate to the business complexity and any associated risk.
- 3.6. A further point that has arisen during co-creation workshops is the extent to which the software can automatically filter to reduce what a company must complete to the relevant questions. HMRC appear currently reluctant to permit this, on the basis that this would mean there is a possibility that each question has not been considered. We suggest that some pragmatic compromise should be reached around this because currently, the volume of data and time required to complete the proposed computation requirements for those companies for whom the particular points are not relevant, will be unduly burdensome.

#### **4. Implementation timescale**

##### **4.1. Question 1: Is the proposed 6-month collaborative development period sufficient to refine the prescribed computation requirements? Please explain your reasoning.**

- 4.2. Having already started the co-creation workshops (roundtables), we are concerned that the proposed 6-month period is not going to be sufficient. This is particularly the case as the period from April to September 2026 includes summer when things tend to slow down and attendance at the roundtables may become patchier. Also, while it is essential that specialists dealing with computations day in, day out are involved in the development, the short period requires a significant time commitment from those participating who will have other work commitments. In addition, the condensed timeframe may limit the ability for stakeholders to participate for all the sessions, particularly for those in practice.
- 4.3. It is clear from the first two rounds of the roundtables that HMRC are proposing significant changes to computation requirements for all companies that will greatly increase the amount of information, and the time, required to prepare a CT return. The additional burden arises both from the level of detail being proposed and an approach that will require companies to complete answers to questions that are not relevant to their circumstances.
- 4.4. In addition, early discussions at the roundtable discussions of this collaborative development stage have identified considerable challenges in ensuring consistency across the schedules and we think that six months

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<sup>1</sup> For larger businesses there are already numerous, overlapping reporting obligations including the master and local file, the global information return for Pillar Two and, shortly, the new International Controlled Transaction Schedule. There will be duplication in the information reported through these mechanisms and the greatly increased granular detail that is being suggested in the standardised CT return, thus adding unnecessarily to the compliance burden. Another example of duplication is in relation to the share schemes schedule which is suggesting a huge amount of detail that would duplicate the employment related securities returns.

will be too short a timetable to take into account all of the feedback from all of the roundtables, feed this into the proposed formats and reach a point of agreement on all areas to ensure a coherent whole.

- 4.5. It is notable that in the May roundtable discussing the Tax Calculation schedule, it was agreed to defer the June meeting because it was recognised that more work is needed by HMRC to co-ordinate the approach across all the various schedules. The early meetings have identified many things that are currently independent of each other across the schedules that are not yet finalised, but on which a central decision will be required to ensure that the computation requirements work in totality.
- 4.6. Also, various other issues are being identified. For example, where HMRC are suggesting a prescribed approach where there is currently more than one option for calculating an aspect of the computation that complies with statute. In the workshops on permanent establishment and banking schedules, HMRC have said that they intend to prescribe the way of calculating the capital attribution tax adjustment (CATA) for attributing equity and loan capital to the UK branch of a foreign bank, but also acknowledge that the ‘five-step’ process that will be prescribed is not statutory and is only one option for calculating this adjustment<sup>2</sup>. It seems strange to us to set out a prescription that is not statutory, but HMRC consider that this will be helpful to those companies that are using the ‘five step’ process; that is to say, if you are using this approach, please do it like this. It was discussed that, if HMRC adopt this approach, it will have to be very clearly signposted that this part of the computation requirements is not mandatory and ensure that the software does not create issues if it is not completed because the company decides to use an alternative method for calculating the CATA. It must be clear how a company can choose and submit an alternative method that also complies with the statute if it chooses to do so. The computation requirements should not result in something that is currently only a suggested approach in HMRC’s guidance becoming mandatory.
- 4.7. All of these issues that are being identified in the collaborative workshops warrant careful consideration that should not be rushed, which is why we suggest that the current timetable is too short.
- 4.8. Question 2: Will the proposed approach of a limited roundtable participation provide effective coverage?**
- 4.9. We welcome the collaborative approach of the roundtables, but it is difficult for us to comment on whether they are providing effective coverage because we do not have visibility of the invitation lists. Participation in the roundtables that CIOT has attended has indicated that there is a range of large and small tax agents, and software providers, as well as attendees from representative bodies. But there seems to be little participation from business.
- 4.10. We encourage HMRC to urgently seek input from businesses, particularly large businesses able to explain to HMRC the challenges of complying with the proposed computation requirements, particularly if the granular level of detail currently being discussed in the co-creation workshops is mandated across the board.
- 4.11. In addition, although a collaborative approach is intended, we would also note that at the time of writing, we have had round two of the workshops for many of the areas, and there is little indication that HMRC are changing the draft schedules to reflect the discussions of the first sessions, with only small tweaks having been made. The draft schedules discussed at the workshops continue to reflect the considerable amount of additional data that HMRC is proposing to collect, despite the strong concerns voiced at the round one workshops. For example, it is not clear why all the granular detail being suggested in the group relief schedule is necessary or helpful. The current CT600C is straightforward to complete and gives the information needed

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<sup>2</sup> see [INTM26770](#) and [INTM267783](#) (the latter reference indicates there is no one right answer). [INTM267795](#) indicates there are alternative approaches to calculating the adjustment.

(except for the evidence that a group relief group exists, but there is no simple way of including this on a return). An example of the information that seems unnecessary in this schedule, and may cause problems in completing it, is the parent UTR: this is not always relevant for a valid group relief claim, as the parent can be overseas. Another example is the share schemes schedule. This is currently proposing a granular level of detail which attendees have queried the value of and will, in any event, be a duplication of what is provided in the employment related securities returns.

**4.12. Question 3: Do you agree that 12 months from receipt of full prescription requirements is enough time to deliver finalised products? If not, explain your reasoning.**

4.13. We do not comment on the time required to deliver finalised products. However, we note that the consultation document does not build in the next stage of implementation, which is that businesses need to have a final version of software to have time to work on their systems to ensure appropriate compliance.

**4.14. Question 4: Is a 12-month pilot phase sufficient to identify and resolve implementation issues?**

4.15. It is not clear that what is being proposed is a 'pilot phase' if for this 12-month period all returns must conform to the new format. It seems that what is being suggested is a 'light touch' period around enforcement and that this will be combined with some relaxations of late filing penalties or reasonable excuse being expanded to include problems with the new format. In any event, we suggest that a period of two years would be preferred for this phase, to allow a second run through for companies under the light touch using the new format once issues have been identified and resolved.

4.16. In our view, however, an actual pilot period would be better where participation is voluntary, so that feedback can be gathered and issues identified and resolved. Such a pilot period should also make available the fall back of using existing methods if there were problems. This could be followed by a 12-month light touch period where the new format is mandated for all.

**5. Enforcement measures**

**5.1. Question 5: Do you foresee any issues, risks, or unintended consequences from publishing an Approved Corporation Tax Software Product List?**

5.2. We welcome the concept of an approved list, as this will protect taxpayers by ensuring that they are using compliant software. We do, however, note the difference in approach to Making Tax Digital for income tax, where HMRC has not provided an approved list (only a recognised list). We would be interested to know why there is a difference in approach, as we would think that individual taxpayers are more vulnerable than company taxpayers in this respect.

5.3. We suggest that the cost of the software on the approved list also needs to be considered. How will HMRC ensure there is a range of cost options to be make this sustainable for all agents?

**5.4. Question 6: Do you see any practical challenges in validating only the prescribed sections of software that have been updated, rather than re-validating the entire product? Please explain and, where possible, provide examples.**

5.5. Software developers and tax technologists are better placed to comment on the practical challenges, but from a taxpayer and agent perspective, the important thing is for any updates to happen quickly and keep pace with rate and policy changes. This will help facilitate the filing of returns on the correct basis when the taxpayer

wants/needs to file. We recognise this does not always happen now<sup>3</sup>, thus creating complexity in administration. We would also note the point discussed in response to question 1 above – that schedules interact with each other, and, therefore, changes to a particular schedule must also be considered in the context of the whole of the computation requirements to ensure any consequential changes can be made and are validated.

- 5.6. It would be helpful for HMRC to consider, publish and commit to a timescale for updating prescribed tax return sections following legislative change, giving the software companies a reasonable period to comply with this. This should be supported by an HMRC service standard for revalidation of the amended sections. The timescales should be discussed with the software houses (to ensure it is realistic considering development and release cycles). It would also be helpful if within HMRC the policy development process for CT changes included a requirement to consider the impact on software development to comply with any change.
- 5.7. Question 7: Do you have any concerns about the proposal to block submissions that do not meet the software standard?**
- 5.8. We are concerned about the suggestion that a submission could be blocked.
- 5.9. If submissions using specified software are blocked, this would presumably prevent filings across the agent's client base until either the developer rectifies the issues and is unblocked, or the agent finds and rolls out alternative software (likely to be costly and not something that can be done quickly). In any event, submissions are often made close to a filing deadline, and therefore, if these are unexpectedly blocked, the likely result will be a late filing for the company concerned. The consultation document notes that the intention is to penalise the software provider, but there are potentially significant ramifications for the taxpayer and the agent.
- 5.10. The consultation document mentions safeguards for taxpayers, but what would these be? For example, does HMRC propose to not issue a late filing penalty, or to provide a valid appeal route? Would the company be given a specified period to refile using an alternative software product on the approved list? If so, how much time would be permitted and who would bear the additional cost?
- 5.11. It will also be necessary to consider safeguards for agents. Whilst a process is proposed and the suggestion is that the new power will only be used in the most egregious cases, if HMRC obtains this power it would present a business risk to our members that appears very (perhaps unacceptably) high – although arguably at a low (but not zero) risk of occurring. Firms would be left trying to explain to clients why their returns/amended returns cannot be submitted, discussing who would pay the late filing penalties and what to do about claims which can only be made in returns (where they cannot be submitted in time because the software is blocked). The process also does not seem to allow for agents or taxpayers to be told until HMRC removes the product from its approved software list. This would be too late.
- 5.12. Whilst we understand that HMRC would not want companies submitting incorrect returns and computations due to faulty software (as it could increase the tax gap and increase the workload for HMRC, and agents and companies, to fix the mistakes), consideration must be given to the practicalities of organising a change in software for taxpayers and agents. It is not a quick process to switch software providers due to the time needed

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<sup>3</sup> The change in the rate of the tax charge under CTA 2010 s455 (Charge to tax in case of loan to participator) increased on 6 April 2026 from 33.75% to 35.75%. But the new rate will not be reflected in the Corporation Tax online service until after 6 April 2027, meaning that any taxpayers wanting to file early must file with an incorrect rate and amend later. The system should encourage earlier filing – closer to the year end of the company when records and knowledge of transactions are front of mind.

to identify a replacement provider, go through a thorough procurement process and implement a change with appropriate training within an agent firm; all of would take many months. The business impact on agents and taxpayers of HMRC blocking returns would not be simple or quick to resolve.

- 5.13. We recognise that there is no easy answer but suggest that it would be better to flag any issues with software more widely than just to the software provider, and at an earlier stage. If agents knew HMRC were unhappy then they can help push the software provider to fix the issue, implement workarounds (if possible) or start the process of switching supplier sooner. In any event, there needs to be further consideration given to how this would work in practice and the outcome needs to be clearly communicated by HMRC.
- 5.14. Question 8: Do you have any comments on the proposed approach of a unique identifier for each product, including any operational or security considerations we should take into account?**
- 5.15. We do not have any comments in response to this question.
- 5.16. Question 9: If bridging software is used, would users need to be informed in advance of key revocation?**
- 5.17. Early notification will be helpful, rather than companies getting work done to put information into bridging software only to then discover there is a problem.
- 5.18. Question 10: Do you have any comments on the proposed multi-step process (review, warning, temporary removal from the whitelist, gateway rejection and possible publication on a block list) appropriate to address non-compliance? Question 11: Do you have any concerns with the proposal to introduce monetary penalties as a sanction for deliberate or repeated non-compliance by software providers? Do you agree with the proposal to lock tags in software products to prevent users from altering them?**
- 5.19. We do not have any comments in response to these questions.
- 5.20. Question 12: Do you agree with the proposal to lock tags in software products to prevent users from altering them? Question 13: Are there circumstances in which users should be permitted to edit or override locked tags? If so, what safeguards should be in place? Question 14: What potential technical or operational challenges might arise from implementing locked tags in tax computation software? Question 15: Could locking tags adversely affect usability or the flexibility required for accessibility adjustments? Please elaborate.**
- 5.21. As a matter of principle, locking tags does not present any issues, if the tags work and do not prevent submission of the return. In the past, errors can arise when trying to file returns through HMRC's gateway for a variety of reasons linked to locking tags, including no locking tags, so incorrect versions were submitted, the locking tags did not work properly or because someone was able to unlock the tags (inadvertently or purposefully) and change something before submission.
- 6. Mandatory online filing of amended company tax returns**
- 6.1. Question 16: Are there any types of amendment that should be excluded from mandatory online filing? Please explain your reasoning.**
- 6.2. There are cases where online filing fails due to problems at HMRC's end or with software, and currently a reasonable excuse form (WT1) can be filed with a paper return for this. See <https://www.gov.uk/government/publications/company-tax-return-it-problems>. We suggest this form should remain available.

- 6.3. Subject to appropriate exclusions, we are in favour of mandatory online filing of amendments. Indeed, we would welcome HMRC going further with this and providing an ability to file online for amended computations after the end of the standard amendment time limit, for example after an enquiry. Having different ways to file amendments is just confusing.
- 6.4. Currently they can be submitted in writing or included in a disclosure report (usually alongside corrections for other years). Whilst filing amendments online within the current period only may make things more efficient for HMRC in many cases, it may add complexity for cases where several years' figures need to be rectified at once following an enquiry. Often advisers will suggest clients submit a disclosure covering all years, ensuring all years' information is sent to HMRC in one go. That then means that HMRC can get one case worker to look at the whole case. However, if mandatory online filing of an amended return is required for one period that is within the time limit, but amendments to other years are still in writing, then that could mean two case workers get involved – one for the amendment and one for the disclosure. We encourage HMRC to consider what processes could be put in place to make everything joined up and efficient for the taxpayer and HMRC.
- 6.5. **Question 17: Are there particular customer groups likely to be disproportionately affected? If so, please explain how.**
- 6.6. Consideration should be given to filings of amendments that are submitted through an agent that did not act in the filing of the original return. Currently, if an agent does not have access to the original return, then they can submit the amendment on paper.
- 6.7. **Question 18: Do you agree that mandatory online filing for amendments from 1 April 2027 is reasonable? If not, what alternative date would you suggest?**
- 6.8. This timetable would seem to be reasonable provided the WT1 back up option remains open if there are problems, particularly in the early months and while there is any form of pilot or light touch period in respect of the main filing obligations with the new format.
- 7. Impact Assessment**
- 7.1. The impact on businesses etc. does not reflect that having these prescriptive computations is likely to lead to a permanent increase in software and submission costs because most years. There will be additional costs to the software providers of updating their products to deal with HMRC's prescribed computation format, and getting it approved (over and above the existing development costs). There will also be additional costs with the current proposals for companies in processing sections of the return that would be irrelevant to their circumstances. We suggest that HMRC should work with the software houses to understand the extra cost the standardised computation requirements will impose on the system, and how those might be minimised.
- 7.2. It is noted that 'at this early stage it is unclear what the administrative impact of the full prescription requirements will be on the 3.2 million businesses that currently submit Corporation Tax returns'. As per our comments in the introduction, these proposals will place a significant additional compliance burden on many businesses, which will result in significant costs. We suggest HMRC consider the burden of these proposals on corporate taxpayers and what impact this might have on attitudes to tax compliance.
- 8. Acknowledgement of submission**
- 8.1. 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

2 June 2026