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14 November 2023

Rt Hon Nigel Huddleston MP
Financial Secretary to the Treasury
HM Treasury
London
SW1A 2HQ

Via email: Action.FST@hmtreasury.gov.uk

Dear Minister

Making Tax Digital

First of all, on behalf of the CIOT and ATT, we would like to offer our congratulations on your appointment as Financial Secretary to the Treasury and we look forward to working with you. We will write separately to properly introduce ourselves and set out our thoughts on key areas of tax policy.

With the Autumn Statement next Wednesday, we recognise that you have been appointed at a busy time. However, we were on the verge of writing to your predecessor regarding our continuing concerns about Making Tax Digital (MTD) for Income Tax Self-Assessment (ITSA). In the light of likely announcements next week, we feel it remains appropriate to raise them with you.

We illustrate in this letter why we believe that a digital tax system is absolutely the right answer. Digitalisation has and will continue to bring benefits to individuals, businesses and HMRC. This can be evidenced through the almost universal voluntary online filing of Self-Assessment returns, adopted by individuals and agents because the system is easy to use and (as our service levels survey outlined below illustrates) a strong desire to interact online. However, MTD is seeking to mandate decisions made almost a decade ago, which were ill-informed given there was no prior consultation amongst those affected at the time, and the project continues to suffer delays and growing costs as the enormity and complexity of the task has emerged.

The current approach needs a rethink – and we would urge you to consider using the Autumn Statement to launch a review of MTD, followed by detailed consultation on its future direction and delivery, with a full assessment of its impacts and benefits.

We recognise that, according to HMRC’s tax gap figures, a significant amount of tax goes uncollected because of ‘mistakes’ (error, and failure to take reasonable care), and we support efforts to reduce all aspects of the tax gap. However, we remain unconvinced that MTD will significantly reduce the tax gap or bring substantial efficiencies to businesses and HMRC in its planned form. As was also observed by the NAO in the summer, we have long been concerned that HMRC have not given sufficient consideration to the considerable increased compliance costs for businesses and agents. Further, the proposals as they stand are likely to lead to a further deterioration in HMRC’s already poor service levels, especially if MTD is launched before it is fit for purpose.

These are outcomes which are inconsistent with our charitable objectives for a better tax system, and the government’s objectives to support growth and make tax fairer. We have provided support, insights and advice to HMRC through formal consultations and engagement forums, as well as through co-creation events and direct discussions, but many of the questions we have raised remain unanswered and problems unresolved.

We would appreciate the opportunity to discuss these concerns with you, or we can put more information in writing if that would be helpful. In the meantime, we strongly recommend that you use the Autumn Statement as an opportunity to announce a full review of MTD, so that all of those affected can work together to form a less burdensome (for taxpayers, agents and HMRC), less disruptive and more realistic plan for realising the many benefits of digitalisation.

Our surveys

Our recommendations above are based on the results of surveys we have undertaken, as well as our ongoing engagement with HMRC. We have summarised the relevant results of recent surveys below.

December 2022

In anticipation of an announcement about MTD, in early December 2022 we undertook a ‘snap’ survey of our members. 352 responses were received. At that point:

- **97%** of respondents did not think that MTD for ITSA, in its current form, could be successfully introduced from April 2024.
- **94%** were uncomfortable about taxpayers’ ability to comply.
- **96%** were uncomfortable about HMRC’s capacity and resources to support taxpayers and agents.
- **46%** thought that the project should be paused and the future of MTD consulted on, with **31%** suggesting proceeding on a voluntary basis, only mandating when all MTD processes have been proven to work.

Based on these results, we called for a fresh look at how the objectives of MTD might be achieved.¹

Summer 2023

During the summer of 2023, over six months after your predecessor’s announcement on 19 December 2022 of a deferral and subsequent staged implementation of MTD for ITSA, we undertook a further survey to obtain agents’ and taxpayers’ views on MTD. 517 responses were received.

¹ See for example <https://www.tax.org.uk/new-digital-tax-reporting-requirements-for-self-employed-need-reboot-say-tax-professionals>

The headline findings from the survey included:

- **70%** of respondents thought April 2026 was still an unrealistic start date for MTD for Income Tax Self-Assessment (ITSA).
- **95%** were not confident about HMRC's ability to oversee the introduction of MTD for ITSA.
- **87%** doubted it would achieve the stated goal of closing the tax gap.
- **86%** said they were 'greatly' (75%) or 'somewhat' (11%) opposed to the MTD for ITSA requirements being mandated for businesses/landlords with incomes under £30,000.
- **79%** said that the MTD ITSA proposals had 'significantly' (56%) or 'to a fair amount' (23%) adversely affected their trust in the tax system as a whole.

We shared the results of these surveys with HMRC, and they may have formed part of the briefings your predecessor received. The full results can be found on our websites,² but we would be happy to share them with you in any format you consider useful.

We welcome the continued engagement we have with HMRC as we seek to tackle some of the most difficult aspects of MTD. But in the absence of solutions to these issues, we want to ensure that you are fully aware of the gravity of these concerns.

The CIOT also ran a survey in summer 2023 regarding HMRC's service levels, and 760 responses were received. The results reinforced the widely held recognition that HMRC's performance is, in many areas, unacceptable and damaging to the UK economy given the impact on taxpayers and their agents. While not repeating them in full here, the headline outcomes were that:³

- **94%** of respondents were either 'extremely' (63%) or 'somewhat' (31%) dissatisfied with HMRC's service levels.
- **96%** were 'not at all' (66%) or 'not very' (30%) confident that these will significantly improve over the next 12 months.
- **89%** of respondents said their reason for contacting HMRC could not have been resolved using HMRC's online services or third-party software.
- **80%** said they would use HMRC's online services (or third-party software) if they would resolve the cause for the contact.

There is no sign of any long-term improvement in HMRC's service levels – indeed the trend is to actively make HMRC's traditional contact channels harder to access in an attempt to nudge people onto digital channels, which as illustrated above are not sufficiently comprehensive or utilised. Yet for hundreds of thousands of taxpayers MTD multiplies the number of 'touch points' they have with HMRC from one a year to at least five. We simply do not see how HMRC will be able to cope with such an increase in demand.

The tax gap

One of the stated aims of MTD is to reduce the tax gap. As outlined above, this is an objective which we fully support. We have undertaken several surveys since the announcement of MTD in 2015, within which we have sought views on MTD's likely impact on the tax gap. The responses can be summarised thus:

² CIOT website at <https://www.tax.org.uk/making-tax-digital-our-survey-says> and ATT website at https://www.att.org.uk/sites/default/files/2023-08/230727%20MTD%20for%20ITSA%20-%20summary%20of%20responses_no%20comments.pdf.

³ They can be found in full at <https://www.tax.org.uk/ciot-survey-into-hmrc-s-service-levels>.

- Summer 2023 (as above) - **87%** doubted it would achieve the stated goal of closing the tax gap.
- Late 2019/early 2020 (1,091 responses received) - nearly **90%** of respondents said that MTD for VAT had not reduced errors.
- Summer 2016 (1,082 responses received) around **80%** of respondents said that MTD would either have no impact on errors (40%) or would increase errors (40%).

We recognise that HMRC has released its own evidence of the impact on MTD for VAT,⁴ but as they recognise this is statistical modelling which has its own limitations. HMRC has not (and does not intend to) review the records and returns of individual taxpayers, to determine the before and after effect of MTD for VAT. In the absence of such a proper evaluation, the actual impact on the tax gap remains supposition and doesn't align with what we are hearing from taxpayers and their advisers.

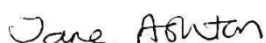
Next steps

We are supportive of the government's objectives to support growth and make tax fairer. However, there are clear concerns amongst the agent and taxpayer community that MTD is in danger of conflicting with those aims, as well as failing to deliver the objectives of the policy itself.

We recognise that significant time and money has been invested in MTD, and we are not suggesting that the project is abandoned. However, considering the lack of tangible progress since your predecessor's announcement last December, we would urge you to openly consult on how MTD should be progressed and to gather and consider the opinions of those affected; something which hasn't been done for over seven years, and indeed has not been undertaken properly at all.⁵

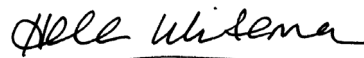
As noted above, we would welcome the opportunity to meet with you to discuss the above, or we would be happy to provide further explanation of our concerns. We will be publishing this letter, and your response, on our website.

Yours sincerely



Jane Ashton

Chief Executive
Association of Taxation Technicians



Helen Whiteman

Chief Executive
Chartered Institute of Taxation

cc: Craig Ogilvie, Director, Making Tax Digital, HMRC

⁴ <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>

⁵ Consultation on MTD started at stage 2 of the tax consultation framework, not stage 1.

The Chartered Institute of Taxation

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.

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.

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.

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.

Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

The Association of Taxation Technicians

The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government, and academia.

The Association has more than 9,500 members and Fellows together with over 5,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.