



## **NUJ response to the HMRC consultation Making Tax Digital**

November 2016

It is the NUJ's view that Making Tax Digital will make life more difficult for small businesses. For those used to working diligently with receipts and bank statements, the use of digital software is likely to be a shock to the system. This is especially true if Excel spreadsheets will not be acceptable.

Taxation rules are complex and we are not convinced that there is proprietary software that could accommodate them. In addition, there will be software costs.

Journalists will be naturally suspicious of installing any software provided by the government.

The intended launch date of April 2018 does not give sufficient time to prepare, in our opinion.

We would also be alarmed by the threat to agents over delays caused by their clients. This could result in accountants refusing to act in cases where there is the potential for reputational damage.

HMRC seems to believe that sole traders will use their mobile 'phones, linked to appropriate software, to their bank accounts and to filed receipts, enabling them to make quarterly and annual returns at the touch of a button. This is unfeasible. Many taxpayers struggle with spreadsheets, never mind digital software.

In reality, we believe that many more taxpayers will require help from bookkeepers and accountants than at present.

The current proposal to exempt businesses with a turnover of £10,000 or below is not practical, and we would strongly argue for a higher exemption level. Once the system has bedded in, there might be an argument for reducing the turnover level.

**Question 1: What are the challenges for businesses that currently keep their records on paper or simple spreadsheets in moving to digital software apps for record keeping, and what further measures or support would help businesses to meet these challenges?**

Not everyone is adept at working with such data digitally, and an element of training would be required. Businesses should be offered free training, and a help service for anyone who finds difficulties in using the system. A further challenge, for some businesses, is likely to be in regard to the adequacy of their IT systems.

**Question 2: What level of financial support might it be reasonable for the government to provide towards investing in new IT, software or training, who would benefit from such support, and what is the most appropriate form for delivering such support?**

The government should fund IT, software and training 100%, as businesses will have no choice over switching to a digital system. Support should be offered locally, where possible, with the option of online support.

**Question 3: Do you have views on how detailed the summary data in the updates should be, and whether the level of summary data should be different depending on the size of the business?**

For sole traders, the summary data should not be detailed. However, for businesses that employ bookkeepers and accountants, the summary data should be more detailed.

**Question 4: Do you agree that businesses should have nine months to complete any End of Year activity?**

Yes, that does seem a reasonable timescale.

**Question 5: Do you agree that £10,000 annual gross income/turnover is an appropriate threshold for exempting businesses from Making Tax Digital? Do you have any comments on how the exemption should operate?**

We believe £10,000 is too low, and will place an unnecessary burden on sole traders who are already struggling to survive. The figure of £20,000 would be more practical.

**Question 6: Should the smallest unincorporated businesses that are not exempt have an extra year to prepare for Making Tax Digital? How should eligibility for this group be defined?**

Yes, they should. They should be defined, in our view, as those sole traders earning less than £20,000 per year.

**Question 7: What costs might you expect your business to incur in moving to the new regime?**

It is possible that IT hardware and software will require to be updated, and there could be additional costs of accountancy services.

**Question 8: Do you expect that your business will incur additional on-going costs as a result of these changes?**

Hardware and software might require to be updated frequently, and increased accountancy costs could be continuing.

**Question 9: What do you consider to be an appropriate turnover threshold?**

It is difficult to place a figure on this, but raising the threshold would be helpful.

**Question 10: Do you believe that simplifying the capital/revenue distinction as proposed would simplify reporting for businesses within the cash basis?**

Yes, we do believe that this would make it much simpler.

**Question 12: Do you see any challenges with the voluntary payments process described?**

As long as they remain voluntary, such payments could be advantageous to low-earning sole-traders.

**Question 14: Do you think that charging penalty interest is the right sanction for non-compliance with payment obligations?**

It is possibly the best option, as it would be related to the amount of tax owed.

**Question 16: What sources of third party information would most enhance the customer experience and best contribute to the aim of ending the tax return for all?**

The freelance journalists that we represent would balk at the idea of information being collected from third parties in the manner suggested. They would much prefer to remain in control of their tax returns.

There is an implication that HMRC does not fully understand the nature of freelancing, which could involve a great number of third parties, who would find it burdensome to have to be involved in this way.