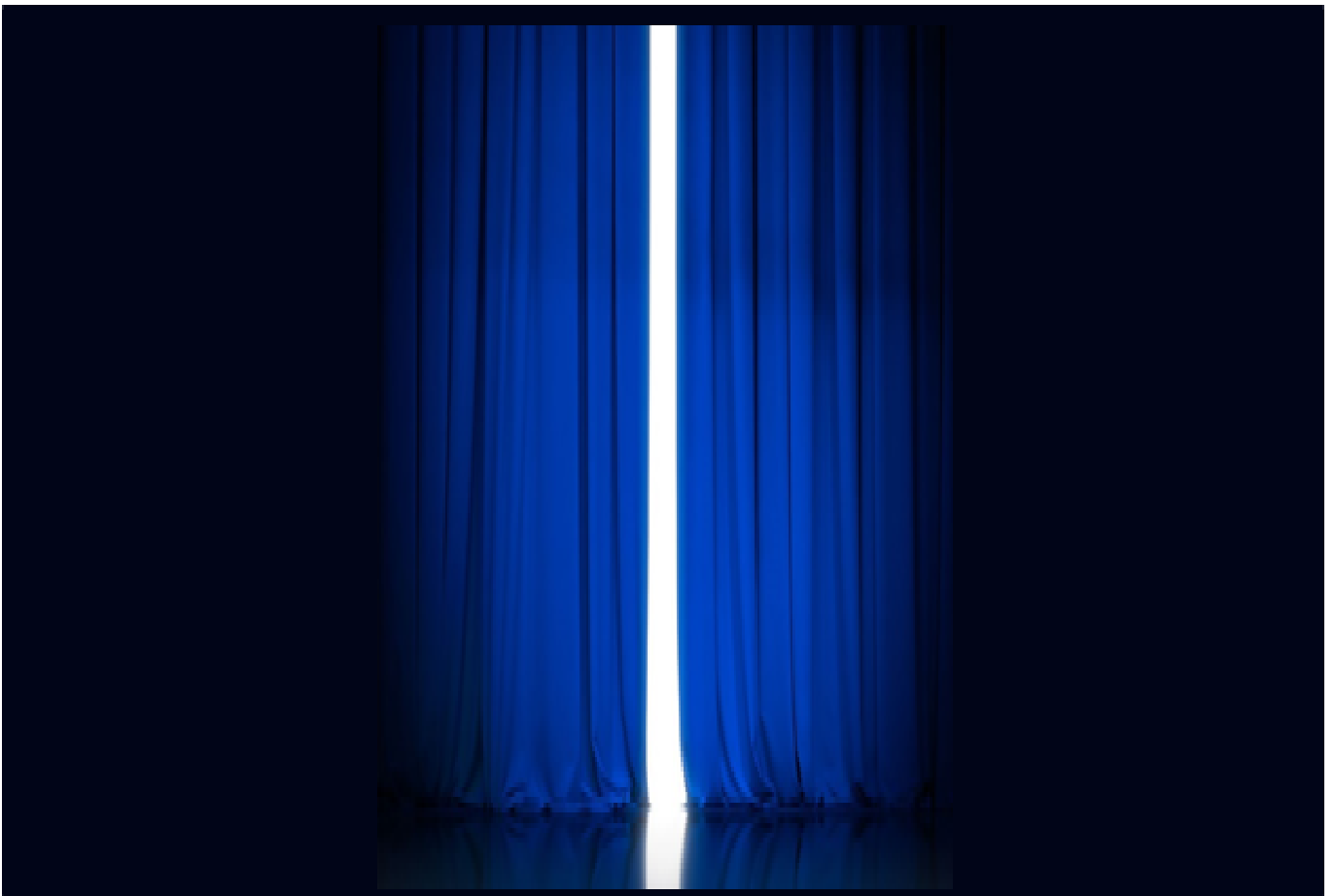


Making Tax Digital

A look behind the scenes



May 2017

A look behind the scenes



Making Tax Digital (MTD) continues to hit the headlines as speculation intensifies about what form it will take after the General Election. Despite a roll-out schedule being announced in the Chancellor's March Budget, recent developments such as the thinning down of the Finance Act and removal of MTD-related legislation have prompted further questions and uncertainty.

Whilst some are hoping MTD will be canned, in reality it is likely to just be delayed. How we at BTCSoftware have arrived at this conclusion, stems from the work we have been and continue to do with HMRC's digital team – the team charged with developing the technology to make MTD a reality.

So, let's reveal the very close work we've been doing with HMRC, to help give a clearer picture of the current state of play for MTD.

What HMRC has been charged to deliver

HMRC has been charged with creating a structure which delivers the Government's policy for digital record keeping and quarterly reporting. Digitisation of the UK tax system has generally felt to be long overdue. The concerns which have been raised about MTD have been largely around its proposed ambitious roll-out schedule.

It's worth reflecting what HMRC has to achieve, in order to fully appreciate the work that is currently going on. At a very basic level, the whole process looks like this:



HMRC have to gain the support of third party software developers to devise the best route for the structure that will deliver the Government's policy. We are part of a select group of "critical friend" developers and are effectively working across the virtual desk from HMRC on this technological quest.



What's been happening over the past 12 months

In reality this has meant that, as HMRC has developed the MTD technology's interface transport APIs (the application programme interfaces that enable data to effectively pass through HMRC's portal), we then create the software in our own tax and accounting products. This enables us to test the APIs for HMRC during their initial beta phase of the digital accounting process.

BTCSOftware has been working very closely with the development team at HMRC to run this testing. It means we are literally, with HMRC, helping to create the rules and processes to make MTD work.

Needless to say it has been a testing journey but the Software Development Support (SDS) team at HMRC are to be congratulated on how well they have coped with the test results and feedback from us. They have also been very complimentary about our support and what we have achieved for them. They often stress they truly value the partnership approach, which has evolved during the course of the testing.

Taking an active stance

In fact we have always been very active in HMRC's MTD developer initiatives. We feel it's important to understand the latest developments as they emerge, so we can better support our customers (the UK's tax and accounting professionals) on how MTD will impact on their practices and clients.

It's why we have invested our own time to regularly participate in HMRC's Developer Hub (set up to canvass developer views and feedback). We have also participated in the cross-consultation regular events HMRC organised. As a result of all this activity we have been able to play an active part in the shaping the Making Tax Digital (MTD) technologies.

A close partnership

In fact, just over the last few weeks we have been the only developer to have the self-assessment pre-population live within our software and only recently was another developer allowed to run this live before it is opened to all software vendors.

We are very proud of the positive relationship we've built with HMRC's development team, during what was and is a challenging project.

Defining MTD's user experience and building robust security

As well as testing the APIs, BTCSoftware has been helping to test the 'user-experience' of the MTD software/ technologies. During this testing we have been allowed to put in more substantial test data to help HMRC gain a fuller assessment of the different outcomes and user experience.

Needless to say, throughout all the testing, HMRC have honoured existing data protection rules to ensure that confidentiality is maintained. In fact part of the testing has looked at the security of the technology. We've been impressed by the different layers of security HMRC has put in place around the MTD software and processes.

What's been achieved so far

As a result of the successful testing that has taken place over the past year, here's a list of MTD compliant Self-Assessment data which is now live within our software. The data is read from the digital tax account held by HMRC for the individuals and businesses.

- ✓ Individual Benefits -Benefit-based services, such as retrieval of benefits information.
- ✓ Individual Employment - Employment-based services, such as employment history.
- ✓ Individual Income - Income-based services, such as historic personal income and employment-based income.
- ✓ Individual Tax - Tax-based services, such as retrieval of annual personal and employment-related tax liabilities and refunds.
- ✓ Marriage Allowance - The Marriage Allowance API provides information about whether someone is claiming Marriage Allowance and checks eligibility to claim Marriage Allowance.
- ✓ National Insurance - National Insurance services, such as retrieval of annual summary of Class 1 and Class 2 National Insurance contributions.
- ✓ Agent Authorisation - HMRC secure agent two step authorisation.

What's currently in testing mode

And despite the slimming down of the Finance Bill and the General Election, it's very much business as usual when it comes to us testing technologies with HMRC's digital team. Here's a list of income and expense data, together with adjustment data that is currently in the testing phase:

- Self-Employment Income
- UK Property Income
- Dividend Income
- Savings Income
- Tax Calculation

HMRC's pilots

BTCSoftware customers have also been keen to be part of the MTD testing and have been participating in the Agent Authorisation pilot testing and the Self-Assessment pre-population pilot. They are also helping HMRC by participating in user experience surveys, set up for small and select sample groups.

So what does this mean for MTD?

There may be many calls for MTD to be scrapped but as far as we can tell it won't be. There is likely to be a delay in the mandating of certain businesses and individuals, due to the upcoming Election. HMRC are now in Purdah, but this doesn't mean they have stopped working and neither have we.

Over the past year, and throughout our discussions with HMRC, they have been very clear about how they see the digitisation benefiting businesses. They often like to stress that digital accounts records are about people submitting 4 quarterly updates of their information, not 4 annual returns. Through this system, and by making the task more regular, HMRC wants to make it less onerous than a major annual return.

The teams we speak to genuinely want the digitisation to help businesses to be more efficient and make smarter use of digital record-keeping and accounting. They want businesses to have greater clarity over their finances and have the opportunity to make tax payments as they go, to ease business cash flow.

So much has been invested by HMRC in this project and £1.3bn has been committed by the Government to digitise the UK tax system. This is a significant initiative for them and one, which in the long-term, has a lot of benefits for the UK.

A delay of the ambitious roll-out schedule would, however, give HMRC more time to listen to the recommendations of accounting and tax professional bodies and software developers. Having more time to develop the software, test the technologies and user experience, and then roll-out a programme to educate accountants and their clients how to best prepare for Making Tax Digital (MTD) and use it, will benefit everyone.

What does this mean for accountancy practices and their clients?

The Making Tax Digital programme is expected to be the biggest change to the UK's tax system since Pay-As-You-Earn (PAYE) was introduced in 1945. There are still numerous fundamental APIs to be rolled out by HMRC before software developers such as us can road-test them. This doesn't give software developers or their clients – the UK's accounting and tax professionals - much preparation time.

For those accountants and tax advisers in practice, many are rightly concerned because their clients will be turning to them for support in how best to navigate the new MTD requirements. For some of those client businesses MTD will be a major change to their operations and approach, and they will need accounting professionals to guide them very carefully through the process.

A sizeable learning curve clearly lies ahead and time is of the essence. Despite the uncertainty around MTD, there are activities accountancy practices can undertake now to ensure they and their clients are MTD-ready when its legislation is passed.

We have written two complimentary guides to help accountants use the time ahead to their advantage, and prepare – click on their titles to access them

[How to prepare your practice for Making Tax Digital](#)

[How to prepare your clients for Making Tax Digital](#)

We will also be at Accountex in May (stand 230) and Accounting Live in November (stand C52) where we will be demonstrating our MTD-compliant software. Senior members of our team, who have been working with HMRC in the software testing, will be on hand to answer questions.

SUMMARY

We wrote this article to help shed some light and challenge some of the uncertainty currently surrounding Making Tax Digital. Uncertainty makes it harder for accountants and tax advisers (as well as their clients) to prepare for this significant change. There are however measures they can take to help their MTD learning curve be less onerous.

Irrespective of the result of the General Election, we don't think MTD will go away. Its long-term benefits are too attractive for any Government to ignore. Whatever the outcome, we will continue to work closely with HMRC to ensure our customers are ready and resilient for whatever the final form of MTD takes.

At BTCSoftware we recognise the major impact MTD will have on UK accounting and tax practices. Our aim is to ensure accountants can be confident that our software is MTD-compliant. This means they can just focus on supporting their clients and ensuring other aspects of their practice are MTD-ready.

If you need help preparing your practice and clients for MTD, contact our friendly UK-based team on tel. 0345 241 5030 or email: sales@btcsoftware.co.uk.

You can also find latest announcements at our [MTD Knowledge Bank](#) or by following us on [Twitter](#), [LinkedIn](#) or on [facebook](#).

About BTCSoftware

BTCSoftware develop feature-rich, cost-effective and MTD compliant software products that make life easier and more rewarding for accounting professionals. Our abiding ethos is that quality, practice grade software should never be expensive.

Suitable for sole practitioners or larger practices, we've designed our software so it's simple to use, whatever the size of your practice. From start-ups to well-established firms, BTCSoftware's solutions give you the ability to complete Self-Assessment, Corporation Tax and Companies House returns quickly and easily at a price you can afford – and all encompassed within a practice management solution.



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