HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Lord Forsyth of Drumlean
Chair, Economic Affairs Committee
House of Lords
London
SW1A 0PW

The Lord Bridges of Headley
Chair, Economic Affairs Finance Bill Sub-Committee
House of Lords
London
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12 November 2020

Dear Michael and George

As you will be aware, in July the Government announced the progressive extension of Making Tax Digital (MTD), as part of its long-term strategy to create a modern and resilient digital tax administration system for the UK.

This will start with the extension of VAT for registered businesses with a taxable turnover below £85,000 from April 2022, followed by MTD for Income Tax for self-employed businesses and landlords with annual business or property income above £10,000 from April 2023.

In July the Government also reaffirmed its intention to extend MTD to businesses that have incorporated to become companies, by committing to consult later in the year on the design of what the MTD system should look like for Corporation Tax (CT).

Today, HMRC launched this consultation on the design of MTD for Corporation Tax (CT).

HMRC are providing an extended consultation period of 16 weeks in order to allow a long window for stakeholders to contribute, given the current challenging business circumstances and in recognition of the forthcoming Self-Assessment filing deadline in January.

A detailed consultation document has been published on GOV.UK, which I am attaching for your convenience. A shorter version of the consultation document will also be made available on GOV.UK in the coming months. Stakeholders will have a series of platforms through which they can engage with HMRC and share their views over the next few months, including via email, post and a series of virtual events hosted by HMRC.

The consultation on MTD for CT is the first step in working with stakeholders to provide an MTD service for CT that provides benefits for companies and agents.

Following the consultation on the design of MTD, HMRC will be offering stakeholders the opportunity to take part in a pilot of MTD for CT, through which HMRC will be able to check and test the proposed design of the MTD for CT system, as well as to learn lessons to build into the system's future design. HMRC will continue to work with representative organisations to understand the costs of MTD implementation and do all they can to minimise them.

Rolling out MTD further will allow many more taxpayers to have access to digital services and experience the benefits that they have to offer. The Government remains committed to extending the associated benefits of digitisation to those businesses that have incorporated to become companies, but it also recognises that companies need time to prepare. In light of this, MTD for CT will not be mandated before 2026 at the earliest.

In addition, I would like to take this opportunity to update the Finance Bill Sub-Committee on some tax policy measures that were discussed during my evidence session on 2 November.

Specifically, the Government has today announced that it will consult in the new year on further measures to tackle promoters. These proposals will build on those announced earlier in the year and discussed with the Sub-Committee. The proposals will disrupt the business model of promoters; tackle the secrecy on which promoters rely; ensure that promoters face financial consequences without delay for continuing to promote tax avoidance; and give HMRC additional powers to shut down promoters that continue to promote schemes. HMRC will continue to work with stakeholders to ensure that these proposals are effective and proportionate.

During my evidence session, we also discussed the draft Finance Bill measure requiring large businesses to notify HMRC of uncertain tax treatments. The Government has also announced today that this measure will be delayed until April 2022. This will allow time for further consultation with stakeholders on the measure and to ensure the design meets the intended policy objectives.

A Written Statement setting out these and other tax policy announcements made today can be found here: https://questions-statements.parliament.uk/written-statements/detail/2020-11-12/hcws572.

I look forward to continuing to work collaboratively with you and your Committees.

As ever,

Jesse

RT HON JESSE NORMAN MP