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Progress with Making Tax Digital

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Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5776; the Committee's email address is pubaccom@parliament.uk.

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Summary

Digitalising the tax system should bring significant benefits to both His Majesty's Revenue & Customs' (HMRC) and its customers, but we are concerned that the additional burdens of Making Tax Digital will make tax more difficult for taxpayers. HMRC announced in 2015–16 that its flagship digital transformation programme "Making Tax Digital", would make it easier for taxpayers to get their tax right, helping to reduce the £9 billion of tax revenue lost each year from taxpayer errors. HMRC has had some success with Making Tax Digital for VAT and estimates that this is contributing £400 million a year in additional tax revenue. However, HMRC has lost sight of the need to put customers at the heart of its changes to the tax system. The programme was originally expected to reduce the overall burden on customers but will now impose significant additional burdens and costs on customers at a time when many can least afford it. We are concerned that HMRC omitted upfront costs to customers transitioning to Making Tax Digital from its recent business cases. Without a rigorous focus on what will make the tax system easier for everyone there is a risk that the planned changes will add further complications rather than simplify it.

HMRC launched Making Tax Digital for VAT on time for larger businesses, but it needed three-years longer to introduce the programme for smaller businesses. The changes for Income Tax Self Assessment are on a larger scale and level of complexity to VAT. HMRC completely underestimated the scale of the challenge of digitalising the tax system and its poor delivery of the programme has resulted in repeated delays and spiralling costs. The programme is now running at least eight years late for Self-Assessment with the government's most recent announcement in December 2022, pushing it back to 2026 for the first customers affected.

Seven years in, with £640 million of taxpayer's money spent, we are concerned that the final bill for the programme could end up much higher than HMRC's latest forecast of £1.3 billion. In 2023 HMRC started to work more collaboratively with stakeholders on how Making Tax Digital will work in practice. However, with some significant design issues still to resolve and less than three years before HMRC begins introducing the programme for self-employed people, we are sceptical its new timetable is achievable. HMRC must ensure its plans are realistic and specify and commit to a budget and timetable and hold senior leaders accountable for delivery.

Introduction

His Majesty's Revenue & Customs (HMRC) is responsible for administering the UK's tax system. In 2015 the government announced its ambition to make tax digital by 2020 and in 2015–16 HMRC launched its flagship transformation programme Making Tax Digital. The objectives of the programme are to maximise tax revenue, make sustainable cost savings and improve customer service by modernising the tax system for three taxes, VAT, Income Tax Self Assessment (Self Assessment) and Corporation Tax. The programme aims to move HMRC's existing tax system and records to a new modern tax management platform. HMRC will require taxpayers to keep and submit digital tax records quarterly through third party software. HMRC expects that the programme will reduce the amount of tax revenue lost to errors and carelessness (currently estimated at £9 billion) and help taxpayers understand their tax affairs better.

HMRC introduced digital tax record keeping for larger VAT businesses as initially planned in 2019, and for smaller VAT businesses three years later than planned in 2022. The Self Assessment part of the programme was originally due to be introduced in 2018 but by December 2022 the timetable had been delayed on four occasions. In December the government announced that the introduction of Making Tax Digital for Self Assessment would be delayed again, and the number of taxpayers affected would be reduced. Those businesses and landlords with Self Assessment incomes above £50,000 will be required to use the new system first in 2026, then those with incomes between £30,000 and £50,000 in 2027. The programme for those with incomes between £10,000 to £30,000 has been put on hold until further notice. HMRC has not announced when it will introduce digital record keeping for general partnerships or Making Tax Digital for Corporation Tax. The programme has so far cost £642 million. HMRC expects introducing Making Tax Digital for VAT and Self Assessment will now cost a total of £1.3 billion, a 400% increase in real terms compared to its original estimate of £222 million in 2016 for all three taxes in the programme.

Conclusions and recommendations

1. **Widespread and repeated failures in HMRC's planning, design and delivery of Making Tax Digital have led to increased costs and several delays to the Making Tax Digital programme.** In December 2022, HMRC delayed the timetable for Self Assessment for the fourth time, making its introduction eight years later than originally planned. HMRC's planning for Making Tax Digital for Self Assessment has been too high level. HMRC accepts that it has repeatedly underestimated the scale of the task to fully rollout the programme for VAT and Self Assessment, including misjudging how complex it is to move taxpayer records to a new system and fully test the design of the programme. The Self Assessment part of the programme was always going to be a more complicated task than for VAT. Despite this HMRC announced a fast timetable without anticipating the additional complexity and its subsequent work to design and test the system has been far too limited. Its pilot test had just 137 participants by 2023, falling far short of HMRC's aim to pilot the programme with 15,500 people. The repeated delays to Making Tax Digital have delayed the benefits and increased costs hugely. HMRC expects introducing Making Tax Digital for VAT and Self Assessment will now cost a total of £1.3 billion, a 400% increase in real terms compared to its original estimate of £222 million in 2016 for all three taxes in the programme. The delays to introducing Making Tax Digital for Self Assessment taxpayers with lower incomes will mean the Exchequer will likely miss out on additional tax revenue of £1.75 billion. HMRC has still not said when it will deliver Making Tax Digital for Corporation Tax or how much this will cost.

   Recommendation 1a: ***HMRC should urgently test that its existing plans are sufficiently detailed and rigorous to ensure the successful delivery of the remainder of the programme, and report to the Committee on its findings for Making Tax Digital for Self Assessment as part of its Treasury Minute.***

   b) ***HMRC should, as part of its Treasury Minute response, specify in detail how it will hold senior leaders accountable for delivering against the programme's timetable and budget, and what consequence there will be for any further timetable and budget overruns.***

2. **It is unacceptable that seven years in, with £640 million of taxpayer's money spent on the programme as a whole, so many questions remain about how Making Tax Digital for Self Assessment will work.** HMRC originally intended to introduce Making Tax Digital for Self Assessment from 2018. But after just 18 months, it announced in July 2017 that it would delay the introduction of any changes to Self Assessment until at least April 2020. HMRC now does not expect to be able to deliver the first phase until at least 2026. Seven years in, HMRC is still in the development stages of its plans for Self Assessment. It has yet to figure out how to make the programme work for important elements, such as how the system will support taxpayers with multiple agents, how the system will work for people who share ownership of property. HMRC expects that requiring customers to submit tax records quarterly as well as annually will encourage taxpayers to improve the accuracy of their record keeping. Stakeholders, however, are concerned

about aspects of the design, including the need for quarterly digital reporting, and how far this will help businesses in forecasting tax liabilities, particularly those with seasonal trading patterns.

Recommendation 2a: ***HMRC should, in partnership with its programme stakeholders including customers, tax agents and software providers, resolve design issues and write to the Committee by April 2024 to explain how each of the significant outstanding design issues have been resolved. As part of this, HMRC should consider what steps it can take to simplify arrangements for Self Assessment taxpayers.***

b) ***HMRC should, by Summer 2024, undertake and publish a robust assessment of how much difference to tax revenue is made by (i) more frequent submissions of Self Assessment data and (ii) by digital submissions.***

3. **HMRC's design of Making Tax Digital has not taken sufficient account of the realities facing business taxpayers and agents.** HMRC's key aim for the programme is to make it easier for taxpayers to get their tax right and help reduce the amount of tax lost due to errors. While Making Tax Digital will substantially benefit HMRC by improving its systems, taxpayers will be asked to spend more and do more to comply. HMRC has lost sight of its original aim to reduce the burden on taxpayers and is increasing the burdens it imposes by asking Self Assessment taxpayers to pay for third party software and file tax returns quarterly. Many stakeholders, including tax experts and software developers, report that up until 2023 HMRC had ignored their advice, including on what the programme needs to do to work for taxpayers. HMRC has increased its engagement with these stakeholders, but this only started in early 2023. Some stakeholders remain concerned about the engagement from HMRC on the design of the Self Assessment system and the impact on customers.

Recommendation 3a: ***In addition to Making Tax Digital, HMRC should research what services customers would find most helpful, drawing on customer views as well as international research, and publish its findings by Autumn 2024.***

b) ***HMRC should ensure that all its future proposals for digitalising the tax system: start with what taxpayers need; are demonstrably better for them than existing arrangements; and the plans are supported and therefore can be championed by taxpayer representatives, including its own Administrative Burdens Advisory Board***.

4. **In seeking further investment in the programme, HMRC has not been open enough about the substantial costs that Making Tax Digital will impose on many taxpayers.** In 2021, HMRC published research that showed customers will incur both upfront transitional costs and ongoing costs when Making Tax Digital for Self Assessment is introduced. It expects complying with the programme to cost taxpayers on average £330 upfront, with some facing costs close to £1,000. However, HMRC excluded £1.5 billion in upfront transitional costs for customers in its cost-benefit analysis in its business case seeking further investment for the programme in May 2022. It also excluded upfront transitional costs of £640 million in its 2023 business case which was also seeking further funding. Its latest figures indicate business taxpayers could have to pay a total of more than £1.9 billion to comply

with the new arrangements over the first five years, including £1.2 billion if the programme is extended to self-employed businesses and landlords with incomes between £10,000 and £30,000. HMRC has not said how many customers will face the highest transitional costs and how this varies for each income bracket. We are concerned about how much Making Tax Digital could cost customers. It is essential that HMRC is fully transparent in future about both the costs and benefits of the programme to both the public purse and to customers.

Recommendation 4: ***Before finalising its proposals to extend Making Tax Digital to lower income taxpayers, HMRC should:***

- ***fully reassess the costs for customers to comply with Making Tax Digital for Self Assessment, taking account for inflation and any significant design changes made when finalising its plans; and***
- ***Use this to prepare a robust updated business case for Making Tax Digital for Self Assessment.***

5. **HMRC's poor track record of repeated delays to the Making Tax Digital programme and its lack of conviction in its latest timetable gives us little confidence that it will deliver the rest of the programme on time.** HMRC's original delivery timetable for the programme was not realistic and did not reflect the scale of work required. There remains significant uncertainty about whether HMRC can deliver the remainder of the Making Tax Digital programme on time. The programme has experienced multiple issues that HMRC did not foresee, and further risks could emerge as the programme progresses. HMRC's current plan for the introduction of Making Tax Digital for Self Assessment shows it needs to deliver many elements in parallel, such as raising awareness, pilot development and testing, and staff training. There is a lack of confidence in the programme among stakeholders. With major uncertainty remaining over its design choices, HMRC will have less time to work through and test the technical solutions, such as how data security will be achieved for taxpayers with multiple agents or how a free service will work for those with the simplest affairs. HMRC asserts that its new timetable allows for unanticipated design issues and policy announcements, but it would not rule out further delays to the programme due to unforeseen circumstances. HMRC has set itself a target of April 2025 to be ready for a near-unrestricted voluntary pilot of 1.6 million Self Assessment taxpayers with incomes over £30,000, leaving it less than two years to be ready. HMRC has yet to decide how it will communicate the changes required in Self Assessment to its customers.

Recommendation 5a: ***HMRC should, as part of its Treasury Minute response, explain how it will assure itself that the timetable and budget for Making Tax Digital for Self Assessment is realistic and how it will use independent technical assurance and other sources of evidence to provide this assurance.***

b) ***If further changes to the delivery timetable are necessary, HMRC should communicate this clearly, early and definitively, to provide certainty to its delivery partners and customers.***

6. **We are concerned that the repeated delays and poor design of the Self Assessment phase of the programme is deterring software providers from developing quality**

products and will ultimately put customers at risk. Over 500 software products are available for Making Tax Digital for VAT, which can make it difficult for customers to make an informed choice about what to use. It also makes it hard for HMRC to conduct timely reviews of the quality of products and legitimacy of the providers. Stakeholders report that some software available has unexplained features that can lead to incorrect reporting. Customers can feel overwhelmed, and stakeholders have raised concerns about the security and safety of the products on offer, as well as some unexplained features and hidden costs. HMRC expects the number of software products for VAT to reduce but could not tell us whether it plans to introduce further quality measures to ensure software meets its accreditation standards. Delays and uncertainty to the Self Assessment rollout have likely played a role in software providers becoming increasingly hesitant to continue their investments into developing products for the programme. This has led to some providers pulling products from the market or reducing their investment in developing products for Self Assessment. We are concerned that these delays and attrition amongst software providers could result in higher prices or lower the quality of product on offer to taxpayers. HMRC's lack of proper accreditation checks leaves us concerned about where responsibility and liability fall in the event of software or cyber security failures. HMRC did not say who would be liable if something went wrong but does not expect to penalise customers if there was an error in their tax submissions because of a software issue.

Recommendation 6a: ***HMRC should, within three months, write to the Committee and set out how it will ensure that it strikes the right balance between ensuring competition, quality and access to software for its Making Tax Digital VAT and Self Assessment customers***.

b) ***HMRC should, within three months, write to the Committee explaining what assurance customers can take from its accreditation of software and how it will protect taxpayers if the software (rather than the taxpayer) makes mistakes in tax submissions or does not safeguard taxpayer data sufficiently.***

1 HMRC's delivery of the Making Tax Digital programme

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from HM Revenue & Customs (HMRC) on the issue of its progress with Making Tax Digital.[1]

2. HMRC is responsible for administering the UK's tax system. Its objectives include collecting the right tax and making it easy to pay tax and hard to bend or break the rules. Digital transformation offers HMRC the opportunity to improve its efficiency, revenue collection and customer service. It can also help taxpayers to get their tax right more easily. In 2015 the government announced its ambition to make tax digital by 2020, and in doing so, ending the need for tax returns by requiring closer to real-time digital submissions from taxpayers. In 2015–16 HMRC launched its flagship transformation programme Making Tax Digital to enable this and help it be a leading digital tax authority. The programme's aims were to maximise tax revenue, make sustainable cost savings and improve customer service by modernising HMRC's systems for three business taxes – VAT, Income Tax Self Assessment (Self Assessment) and Corporation Tax. These three taxes yielded more than £260 billion in tax revenue in 2021–22, but the systems that they use are old, expensive to maintain and operate and risk falling into disrepair. Making Tax Digital will require taxpayers to keep and submit quarterly digital tax records, using third-party software, which HMRC expects to reduce errors in tax returns. HMRC estimates that avoidable or careless errors account for up to £9 billion of the tax gap (the difference between tax owed and tax that is actually paid to HMRC). HMRC has spent £640 million on the Making Tax Digital programme to date, compared to its 2016 forecast of £222 million. It now estimates the VAT and Self Assessment elements of the programme will cost £1.3 billion by 2027–28.[2]

Delays to the delivery of Making Tax Digital

3. In 2016, HMRC planned to have fully delivered the Making Tax Digital programme for the three taxes (VAT, Self Assessment and Corporation Tax) by 2020. It intended to introduce the Self Assessment phase in 2018, VAT in 2019 and Corporation Tax in 2020.[3] HMRC recognised in July 2017 it had underestimated the complexity of the work needed for the Self Assessment part of the programme, and this was pushed back to April 2020 at the earliest. HMRC introduced digital record keeping for VAT for larger businesses on time in 2019, but three years later than initially planned for smaller businesses in 2022.[4] The introduction of Making Tax Digital for Self Assessment has been repeatedly delayed. The programme was first delayed from 2018 to 2020 at the earliest, then to 2023, then to 2024 and most recently to 2026 and 2027; an eight year delay in total.[5] HMRC recognised that there was a mismatch in understanding of the scale of the task between policymakers and those delivering the programme and it had underestimated the complexity of work needed to introduce the programme. It also explained it did not foresee the challenges

1 C&AG's Report, Progress with Making Tax Digital, Session 2022–23, HC 1333, 19 June 2023
2 C&AG's Report, para 14, paras 2, 1.2–1.4, Figure 4
3 HM Revenue & Customs, Policy Paper: Making Tax Digital for business, 8 March 2017
4 Q 21; C&AG's Report, para 3, Figure 3
5 C&AG's Report, Figure 3

brought by external events, such as EU Exit and COVID-19.[6] The most recent delay to Self Assessment was announced in December 2022. Digital record keeping for Self Assessment will now be phased in first for taxpayers with incomes over £50,000 in 2026 and then for taxpayers with incomes between £30,000 to £50,000 in 2027. In this announcement the government said it was also reconsidering how it will introduce the programme for taxpayers with Self Assessment incomes below £30,000.[7]

HMRC's planning, design and delivery of Making Tax Digital

4. We asked HMRC why the introduction of Making Tax Digital for Self Assessment has and continues to be delayed. HMRC told us there were two factors that had led to the delay and rephasing of the delivery of Making Tax Digital. First, it had underestimated the scale and complexity of the challenge in making the transition, both for it and for taxpayers and their agents. Second, large events had distracted HMRC from the delivery of the programme.[8] We asked HMRC why it had underestimated the challenge of introducing Making Tax Digital. HMRC said that when Making Tax Digital was announced it had not done all the work to identify the complexity of trying to deliver it on its legacy systems or having to re-platform those systems. It also said that migrating data from legacy systems to its new system was not a simple matter. While HMRC has now completed migrating VAT data, this had taken 15 months longer than planned and it had to redeploy staff from other areas in HMRC to finish the task. HMRC explained that migrating VAT records had distracted it from the Self Assessment phase of Making Tax Digital.[9]

5. We asked HMRC why it had not done more testing or piloting beforehand. It told us it plans for VAT were based on its experience from moving smaller environmental taxes on to its new system. It agreed that this was not enough to understand the complexity of moving approximately 3.2 million VAT taxpayer records. As a consequence, HMRC underestimated the challenge and complexity of work it needed to do to prepare for Making Tax Digital.[10] It also said the complexity of migrating data from old systems and the quality of data meant that moving the data was not a simple matter. HMRC told us it had learned lessons from the VAT phase and was now taking more time to better understand the quality of its data in advance of introducing the programme for Self Assessment.[11]

6. As HMRC got deeper and deeper into the design of what was required for Self Assessment it increasingly realised that it was going to need to re-platform its systems and develop new functionality that could not be developed on its legacy system. It said that while the original concept of Making Tax Digital was good, it had not done all the work to identify the complexity involved in delivering it on the legacy systems or, failing that, having to re-platform those systems. HMRC said that while its Self Assessment system was not at the end of its life, it was only as the design work developed that it concluded it could not build Making Tax Digital on its legacy system. HMRC told us that it had also had to add elements to the programme which it had not understood the complexity of initially. For example that it would need a new system of penalty rules to support the new

6 Q 17; C&AG's Report, Figure 3
7 C&AG's Report, para 3.2, 3.3
8 Q 17
9 Q 18, C&AG Report, para 2.10
10 Qq 19–22, C&AG's Report, para 2.10
11 Q19

way of administering tax. This had to be built on a new platform for Making Tax Digital to work. With hindsight to have had greater certainty at the start HMRC would have needed to do much work up front on the design of Making Tax Digital before announcing what it was going to do.[12]

7. HMRC also told us about the external events that contributed to the delays in the programme's delivery. These included EU Exit and the COVID-19 pandemic's impact on business taxpayers' readiness and engagement, and government policy announcements, in particular the Health and Social Care Levy in 2021.[13] HMRC told us that the delays to Making Tax Digital for Self Assessment will likely mean the Exchequer misses out on additional tax revenue of £1.75 billion.[14] We asked HMRC whether part of the problem was that it had not given itself long enough to introduce the changes needed as part of the programme. HMRC told us that up until the re-phasing of the Self-Assessment element of the programme in December 2022, it did not have any contingency in the programme, for example, to cope with the impact of the Health and Social Care Levy.[15] It told us that it had now built-in contingency for unanticipated design issues and policy announcements to the delivery timetable for the rest of the programme.[16]

8. Delivering the programme for Self Assessment is much more complex than for VAT. There are an estimated 11 million Self Assessment tax records that will need to be quality checked and moved to HMRC's new system, 7.8 million more than for VAT.[17] The calculation of an income tax liability has more components than VAT, and can include reliefs and adjustments on an annual basis. HMRC launched a pilot in April 2017 to enable developers to test and develop software. It forecast that 15,500 business taxpayers would join the pilot by 2021–22 but struggled to secure eligible participants. HMRC told us it had increased the pilot for Self Assessment participant numbers to 137 in 2023. We therefore asked HMRC what had happened with the pilot and why it had resulted in so few participants. It acknowledged numbers were low, but said early stages were for technical development and to test all elements of the customer journey.[18] We received written evidence from the Institute of Charted Accountants in England and Wales (ICAEW) which noted that up to April 2022, almost all the focus of HMRC's programme team was on VAT.[19] We also received written evidence from Cirrostratus Exedra Ltd that said the Self Assessment testing functionality was not workable, and did not allow developers to test their products fully worked with HMRC's new system.[20] We asked HMRC how it felt it was progressing with digital change compared to its international counterparts. HMRC told us that while it is content with the services it provided compared to other international tax authorities, it had concerns about the speed at which it implemented change. HMRC acknowledged that it must speed up its implementation of digital services in order to keep up with international developments.[21]

12 Qq28–29
13 Qq 17, 30, C&AG's Report para, 2.25, Figure 3
14 Q 51
15 Qq 24, 30, 31
16 Q 30
17 Q 22; C&AG's Report, para 1.15
18 Qq 22, 40, 43 C&AG's Report, paras 13, 2.19 – 2.20
19 PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023
20 PTD0009, Written evidence submitted by Cirrostratus Exedra Ltd, 19 June 2023, C&AG's Report Figure 9
21 Q36; C&AG's Report, para 3.36, Figure 11

2 HMRC's expectations and engagement with stakeholders

Burdens on business taxpayers and their agents from Making Tax Digital

9. We asked HMRC to explain what Making Tax Digital was expected to deliver for the taxpayer, Exchequer and HMRC when the programme was launched in 2015. It said that Making Tax Digital aimed to make it easier for small businesses and landlords to get their tax right by requiring them to keep good records using software. HMRC told us that small businesses accounted for about 48% of the tax gap, which was £15.6 billion overall in 2020–21. It further explained that about £9 billion of the tax gap was down to simple errors and failure to take reasonable care and that was what Making Tax Digital was aiming to address. Making Tax Digital was originally approved with the expectation it would reduce the burdens on customers because digital record keeping would make tax submissions easier.[22]

10. We received written evidence from taxpayer and agent representatives that expressed their concerns over the additional burdens that Making Tax Digital would impose on businesses and taxpayers. For example, Crundell & Co Accountancy Ltd told us that Making Tax Digital for VAT increased administrative burdens and cost to taxpayers and agents. It said that it believed the programme for VAT and Self Assessment was not workable and would not provide any tangible benefit for customers. It also told us that the programme will move tax specialists and their clients from a simple system of submitting one income tax return per year to a system of submitting four quarterly updates, an adjustment and then final submissions which will add unnecessary complication and administrative burden for small businesses, make them less productive and increase their costs significantly.[23] Rossmartin Tax Consultancy Limited similarly told us that the programme's requirements for VAT businesses was adding additional burden to their agents. It said it was now doing more bookkeeping than ever before and was charging for the service, but it was "low margin and time consuming". It also said, "there is always the added pressure that there will be an IT failure at critical deadlines".[24]

11. We asked HMRC about the burdens that the Self Assessment programme would place on small businesses. HMRC told us that it had heard the same concerns ahead of the introduction of the programme for VAT as now existed for Self Assessment.[25] It told us that, while "the prospect of it is quite concerning to people… afterwards they see the benefit". In 2021, it surveyed taxpayers who had initial concerns about the programme's additional burden of Making Tax Digital for VAT. The survey found that 80% of respondents found (the software) easy to use; 30% believed there had been a net financial benefit to them; 25% believed it was cost neutral to them; and 14% believed the costs had outweighed the benefits to them.[26] However, evidence from stakeholders is less clear-cut about the benefits to VAT customers. The Association of Taxation Technicians

22 Q 15; C&AG's Report, para 3.12

23 C&AG's Report Figure 1; PTD0001, Written evidence submitted by Crundell & Co Accountancy Ltd, and Community Accounting Services Ltd, 19 June 2023

24 PTD0002, Written evidence submitted by Rossmartin Tax Consultancy Limited, 19 June 2023

25 Q 55

26 Q 55

and Chartered Institute of Taxation conducted a survey with a sample of their members, which found that nearly 90% thought the VAT element of the programme had not reduced errors, the cost to comply had far exceeded government estimates, although 14% reported an increase in productivity.[27] HMRC noted that it had not yet quantified the benefit to businesses from encouraging them to digitise the way they keep their records, but that there was some research that suggested businesses could achieve a 10% productivity boost if they embraced digital accounting software. HMRC told us it was planning to conduct its own research on this and would include the findings in its next business case.[28]

12. We asked HMRC to explain what exactly it was aiming for with the introduction of quarterly updates through digital record keeping, given it was a source of concern for its stakeholders. HMRC said its aim was for customers to keep records in near real-time to help close the tax gap. It explained that there can be up to 21 months between a transaction occurring and a taxpayer needing to report that to HMRC as part of their self-assessment return, which was in part why the tax gap existed. HMRC said it was looking to see if it can take out steps, but its overriding aim was to have taxpayers' submissions and updates happen at the same time to allow it to have information as close to real-time as possible.[29] However, stakeholders including the Association of Accounting Technicians and the Institute of Charted Accounts England and Wales wrote to us to express their concerns over the reliability and usefulness of quarterly updates, such as how far this will help businesses in forecasting tax liabilities, particularly those with seasonal trading patterns.[30]

13. We also received written evidence from the Low Incomes Tax Reform Group (LITRG), which told us that going back as early as 2016 it had repeatedly raised concerns about the additional cost and administrative burden Making Tax Digital will add to taxpayers, especially those on lower incomes or who find digital tasks challenging. It also told us that it had concerns over the levels of service HMRC would provide underrepresented taxpayers.[31] We asked what support there would be for those going into the Making Tax Digital pilot for the Self Assessment phase. HMRC told us that it had a three-tiered plan for customer support if things go wrong for them when they join the Making Tax Digital programme's pilot. It explained that in the first instance customers can access support through the software providers they use. Secondly, HMRC said that it had included provisions for customer service in its programme budget. Thirdly, it told us that those who were digitally excluded or needed additional support could contact HMRC for a potential exemption or additional support. HMRC expected an increase in customers who will need additional support but had not estimated how many or developed specific plans on how it will provide additional support, other than for those who will be exempt.[32]

14. We asked HMRC, given the concerns about additional burdens on customers, how it would ensure that businesses complied with the programme and compliance didn't decline. HMRC explained that there were two key requirements that it believed will foster good compliance from business taxpayers using software. The first was a requirement

27 PTD0006, Written evidence submitted by the Association of Taxation Technicians, 19 June 2023, PTD0008, Written evidence submitted by the Chartered Institute of Taxation, 19 June 2023

28 Q 55

29 Qq 48, 52–54

30 PTD0004, Written evidence submitted by Association of Accounting Technicians, 19 June 2023, PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023, PTD0012, Written evidence submitted by Low Incomes Tax Reform Group, 19 June 2023

31 PTD0012, Written evidence submitted by Low Incomes Tax Reform Group, 19 June 2023

32 Qq 25–27; C&AG's report, para 3.31

to make light-touch quarterly updates to HMRC, which will evidence that taxpayers are keeping their tax records up to date. The second was requiring that the software uploads directly to HMRC systems without the taxpayer or their agent having to intervene or transfer the data into another system, which was where some errors arise. It told us that other than Making Tax Digital, it had not identified any other options that would allow it to address the tax gap among small businesses.[33]

HMRC's engagement with stakeholders on Making Tax Digital

15. Many of the programme's stakeholders support the idea of digitalising the tax system.[34] We received written evidence from The Association of Tax Technicians (ATT), which told us that it welcomed digital record keeping and the modernisation of the tax system but that it remained concerned about the deliverability of the MTD programme, and the benefit of current proposals to taxpayers.[35] The Institute of Chartered Accountants in England and Wales (ICAEW) also told us that HMRC needed to focus on ensuring the programme delivered reliable, cost-effective and user friendly systems and that it should look more broadly at how the programme will ensure the tax system is fit for the 21st century.[36]

16. The NAO found that the success of the programme for Self Assessment will in part depend on working effectively with tax professionals to ensure smooth design, delivery and implementation of the programme. However, many stakeholders including HMRC's own Administrative Burdens Advisory Board, which independently provides critical support to HMRC in making tax easier, told the NAO that they had concerns about the programme. Many felt that while they were consulted often by HMRC, they saw little action to resolve longstanding concerns and that closer working with tax professional could help resolve matters more quickly.[37] Professional bodies told us they had been involved in the design and consultation of the Making Tax Digital programme with HMRC from its inception. For example, ATT had been heavily involved in a consultative capacity in the development to date and ICAEW said it had been very actively engaged with the making tax digital (MTD) programme since the announcement in Spring Budget 2015. But while stakeholders supported the objective of the programme, significant delays have undermined confidence in the programme, and some expressed concerns that HMRC had not consulted with them in the most productive way.[38]

17. In December 2022, HMRC established a plan to work with its stakeholders to solve issues. In March 2023 it started exploring with taxpayer and agent representatives how quarterly updates could work in practice. It explained that it was looking to adopt a "co-creation" approach where it asked taxpayers how best to design a process and ensure they

33 Qq 15, 55
34 C&AG's Report, para 3.27–3.30 and Figure 9
35 PTD0006, Written evidence submitted by the Association of Taxation Technicians, 19 June 2023
36 PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023
37 C&AG's Report paras 3.27–3.28
38 PTD0004, Written evidence submitted by Association of Accounting Technicians, 19 June 2023; PTD0006, Written evidence submitted by the Association of Taxation Technicians, 19 June 2023; PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023; PTD0008, Written evidence submitted by the Chartered Institute of Taxation, 19 June 2023; PTD0011, Written evidence submitted by the Association of Independent Professionals and the Self-Employed, 19 June 2023; PTD0012, Written evidence submitted by Low Incomes Tax Reform Group, 19 June 2023; PTD0013, Written evidence submitted by the Business Application Software Developers Association, 19 June 2023

were able to input into programme's design and functionality.[39] HMRC told us it was working on ways in which the programme's stakeholders could give feedback directly to the programme's senior leadership. This included having a member of the representative bodies on its programme board, together with a member of the software development community. HMRC explained it also now had a co-creation forum with software developers, so that it could understand technical issues and fix them immediately.[40]

18. Stakeholders such as the Low Incomes Tax Reform Group (LITRG) remain concerned about how realistic HMRC's plans for implementation are as well as HMRC's lack of concern or planning for low income and vulnerable taxpayers.[41] We also heard that stakeholders had fed back issues and worries about the programme on multiple occasions, through numerous communication channels, with no acknowledgement or confirmation they were being listened to or acted upon. For example, the trade body for software developers, Business Application Software Developer Association (BASDA) said it had, "flagged concerns with HMRC and FSTs [Financial Secretary to the Treasury] over the past few years regarding the need for a more fit-for-purpose scope (and accompanying policy areas) along with service delivery and engagement with our industry – citing concerns across all key areas" and "regrettably, there was little productive engagement that gave BASDA and its members confidence that the key issues were going to be properly investigated and resolved in a timely manner".[42] HMRC told us that it "was not going to overlook the need to involve our stakeholders fully so we have a full understanding of all the issues" and that it recognised it had urgent matters to resolve and it had "the right mechanisms in place to bring those designs to fruition as soon as possible".[43]

The costs of Making Tax Digital on customers

19. HMRC originally expected that Making Tax Digital would reduce the burden of submitting tax returns on customers. In June 2023, the NAO reported that HMRC now forecast that complying with the programme will create additional costs for customers, and that it had significantly understated these costs in its cost-benefit analysis in recent business cases seeking further investment in the programme.[44] In 2021, HMRC published research that showed that upfront transitional costs for Self Assessment customers with incomes above £10,000 would be around £1.4 billion, and net ongoing costs would be around £150 million a year. HMRC excluded £1.5 billion in upfront transactional costs for Self Assessment and VAT customers in its cost-benefit analysis for its May 2022 business case seeking further investment for the programme. It also excluded upfront transitional costs of £640 million in its 2023 business case.[45]

20. We asked HMRC why it omitted significant costs from the cost-benefit analysis it included in its May 2022 business case, and whether the decisions made on the basis of the business case would have been the same if this information had been included. HMRC said that it had made "a technical interpretation error in how to apply customer costs and

39 Qq 42, 45, 67–68, 71; PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023; C&AG's Report, para 3.29
40 Q42
41 PTD0012, Written evidence submitted by Low Incomes Tax Reform Group, 19 June 2023
42 Q 66; PTD0013, Written evidence submitted by the Business Application Software Developers Association, 19 June 2023
43 Q 66
44 Qq 54–64 ; C&AG's Report, paras 2, 15
45 C&AG's Report, paras 3.12–13.18

transition costs in the business case". HMRC told us that it had applied this to the financial case, whereas the NAO had highlighted to it that HM Treasury's Green Book stated that these costs should have been reflected in the economic case for the programme. It said that while it did not carry the figure through to the right analytical tables in the business case, in accordance with the Green Book, it did estimate customer costs. It asserted that part of the confusion was due to the fact that one of the main drivers for the programme was the additional tax revenue that it would bring, and that it did not consider it to be possible to use the Green Book economic case to make decisions about the programme because the Green Book ignores additional tax revenues. Despite this, HMRC told us that it was confident that decisions about spending on the programme were correct throughout and took account of all the relevant information.[46]

21. HMRC did not assess how many businesses would face different upfront transitional costs and was unable to say how many customers will face the highest upfront transitional costs or how this would vary for each income bracket. The average cost for all taxpayers affected by Making Tax Digital was expected to be £330, but was expected to be £460 for businesses that had Self Assessment incomes of between £10,000 and £30,000. However, HMRC's highest estimate of the cost to get ready for the requirements of the programme are close to £1,000 in total.[47] We therefore asked the Department what it was doing to let taxpayers know what costs to expect so that they could plan for these. It told us that it wanted to be as transparent as possible about the costs of the programme for customers, and that it had a "very strong communications plan". It explained that the costs it published tended to be upper-range costs. HMRC told us that it wanted to be "really clear on our messaging" and that it would be ready to share these messages very soon, with a "very firm warming-up campaign so customers are aware".[48]

22. In December 2022 Ministers took the decision to delay the inclusion of taxpayers with Self Assessment incomes below £30,000 in Making Tax Digital due to concerns about customer costs and burdens. Many of HMRC's stakeholders have welcomed this decision.[49] However, HMRC could not tell us its plans to provide specific support to those taxpayers with lower incomes, or who are more vulnerable, except for those who may be entitled to an exemption from being mandated.[50] HMRC also said it would now need to stratify the customer costs and burden information it held for those with incomes over £10,000 into HMRC's new income groupings for those with incomes over £50,000, those between £30,000 and £50,000 and those below £30,000.[51] HMRC said it still needs to test if the additional financial and administrative burden is likely to be higher for those at the bottom end of the income scale.[52]

23. Overall, HMRC's latest figures indicated that if mandatory requirements were extended to those with incomes above £10,000, then business taxpayers could have to pay

46 Qq 64–65
47 Q 78; C&AG's Report, paras 3.12–3.13
48 Qq 90–91
49 Q 65; PTD0002, Rossmartin Tax Consultancy Limited, 19 June 2023; PTD0006, Written evidence submitted by the Association of Taxation Technicians, 19 June 2023; PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023; PTD0008, Written evidence submitted by the Chartered Institute of Taxation, 19 June 2023; PTD0011, Written evidence submitted by the Association of Independent Professionals and the Self-Employed, 19 June 2023, PTD0012, Written evidence submitted by Low Incomes Tax Reform Group, 19 June 2023
50 Qq 25, 45, 76 C&AG's Report, para 3.31
51 Q79
52 Qq 79, 90

a total of £1.9 billion to comply with the new arrangements over the first five years. This includes: £102 million customer costs it included in its cost-benefit analysis in its March 2023 programme business case; £640 million of customer costs it excluded from its cost-benefit analysis; and a provisional estimate of £1.2 billion for customers with incomes between £10,000 and £30,000.[53] HMRC recognised the additional burden on customers that the programme creates, but told us that it expected everyone to comply with their tax obligations. It says that those who met the threshold for mandatory record keeping will have to either "grin and bear it" and do it themselves, or pay someone else to do it for them, but that it hoped that the software products available will make this easier for people than it otherwise would have been.[54]

53 C&AG's Report, para 3.18 and Figure 7
54 Q 98

3 The future delivery and remaining risks of Making Tax Digital

HMRC's revised timetable and contingency

24. HMRC received approval from government in December 2022 to delay and rephase the Making Tax Digital programme for its Income Tax Self Assessment (Self Assessment) customers.[55] This gave HMRC a further two years to finalise the programme before introducing it for taxpayers with incomes over £50,000 from April 2026 and three years more before introducing it for taxpayers with incomes over £30,000 from April 2027. HMRC told us that it had learned from its experience of the introduction of the programme for VAT that it needed some contingency in the timeline for Self Assessment's timetable. HMRC said that a challenge for it in the past, and one of the reasons for the delay, was that some key pieces of functionality were not in place. This meant HMRC would have needed to redeploy more operational staff than it could afford to deal with workarounds. It said that building in more contingency was a core reason why it asked for a further two-year extension to the programme's delivery timetable. It explained that, up to this point, it had not built in contingency to allow for unexpected delivery challenges, external events or government policy announcements alongside the programme.[56] We asked HMRC if the phasing as well as the delay was also helpful for the work it has left to do. It said the phasing of introduction across two cohorts of taxpayers allowed for more contingency if it ran into any risks or difficulties. We asked HMRC if it was confident there would be no more delays given there was still a long way to go. HMRC acknowledged there had been some big unforeseen risks in the delivery of the programme to date and there could be further unforeseen risks but that it had learned lessons from what had happened so far.[57]

The Programme's unresolved design issues

25. In order to deliver the programme, HMRC still has: some difficult design issues to work out and fix; to fully run an unrestricted pilot to test systems and customer journeys; to test, cleanse and move Self Assessment taxpayer data in time for that pilot and mandation; and build in time and rebuild trust to allow software developers to get products developed for the programme to work. In answer to our question about how much support there would be for customers who entered the Self Assessment pilot for Making Tax Digital, HMRC recognised that to meet the goal of having full functionality on the programme by 2024, it still needed to make sure the programme is sufficiently functional so that the cost of supporting the pilot is manageable. HMRC acknowledged it had not yet finalised its design of the programme for Self Assessment, and it still needed to build sufficient functionality into HMRC systems so that the programme's technical elements can work for taxpayers and agents.[58] HMRC told us that it was looking at the design of the current system and, in particular, at end-of-period statements. It said it was going back to the strategic reason why it wanted this end-of-period statement in the design, which was to keep taxpayer records up to date so that they are "less likely to make mistakes or forget

55 House of Commons, Statement UIN HCWS465, HM Revenue & Customs Update – Statement by The Financial Secretary to the Treasury, 19 December 2022
56 Qq 24, 27, 30–31; C&AG's Report para 3.3
57 Qq 80–81, 84–86
58 Qq 27, 44

things" and "are likely to be more accurate". It said that it was still planning how the customer journey and the use of real-time information would work through third-party software.[59] We asked HMRC if it had experts from outside the department involved in the design for essential technical advice. HMRC explained that it had a number of external forums, and that on particular design issues, it would sit down with taxpayers, their agents or representatives and "design through the system". It said it was spending time asking stakeholders whether the design was helpful to them, and what points it should be considering.[60] We received evidence from Institute of Chartered Accountants in England and Wales (ICAEW) that said that engagement between stakeholders and HMRC on requirements for Self Assessment started in earnest in 2022 and that most of that year was spent developing an agreed list of design and implementation problems that needed to be solved.[61] HMRC held its first "co-creation" event with its stakeholders in Spring 2023.[62]

26. We also received written evidence that highlighted some significant areas that needed design and technical solutions before the programme can be delivered.[63] ICAEW's written evidence said that currently the criteria for joining the pilot were too restrictive – which meant that HMRC could not expand its testing beyond basic functions for the simplest taxpayer examples. HMRC told us that it had not yet found a solution for taxpayers who have joint ownership of property, which the NAO and ICAEW said might occur where they need to account for the profits on that property differently.[64] We asked HMRC to explain why it had not fixed the issues identified for customers with multiple agents. HMRC explained that for taxpayers that use more than one accountant (for example, a bookkeeper and an end-of-year accountant), it was still working out how to allow both of these parties access to their client's data and records. HMRC explained that it was also working on the issue of user traceability for customers with agents doing submissions for them.[65] HMRC could not tell us how many taxpayers this outstanding design and data security issue would affect. HMRC told us it now had a list of issues it is working through, and it was trying to work out which ones are most urgent and complex that need fixing upfront and which can be left to a later date.[66]

27. HMRC told us that it was aiming to have built sufficient functionality to be ready for an unrestricted and open pilot of the programme for Self Assessment 12 months before it is to be introduced as a mandatory requirement for the first cohort of customers in 2026 (for those with incomes over £50,000). It said that this would allow people to voluntarily join before mandation if they wanted to. HMRC explained that it planned to encourage the second group (those with incomes between £30,000 and £50,000) to voluntarily join the programme's pilot before mandatory requirements come into force in April 2027.

59 Q 48
60 Q 68
61 PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023
62 C&AG's Report, para 3.29
63 PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023 and PTD0008, Written evidence submitted by the Chartered Institute of Taxation, 19 June 2023
64 Q 59; PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023; PTD0008, Written evidence submitted by the Chartered Institute of Taxation, 19 June 2023; C&AG's Report para 3.25
65 Qq 56, 58
66 Qq 60–63, 67

HMRC said that it wanted to make sure that everyone who was in scope for mandation in both periods was migrated to the new system as soon as possible and that it aimed to open it up on a voluntary basis for both income groups in 2025.[67]

28. A significant task for HMRC is to move taxpayer data from its old Self Assessment system to its new tax system. HMRC told us that its old legacy systems hold records in a fundamentally different way, and it had expected the conversion into the new system to be simpler than it proved to be for VAT. HMRC had learned this from its experience from the programme's rollout for VAT and had then had to change its assumptions as it moved towards planning the Self Assessment phase. HMRC told us it was expecting that at least 30% of its Self Assessment taxpayer records would need manual work in order to ensure taxpayer data were moved to the new system correctly. HMRC had not yet started the data migration for Self Assessment, but it was planning to move 1.6 million taxpayer records—which covers the first two cohorts for Self Assessment—before those taxpayers start enrolling on the Making Tax Digital programme.[68]

Working with software providers

29. We heard from HMRC and written submissions from the programme's stakeholders, including those from the software industry, that a key requirement for the success of the programme was for HMRC to work effectively with the software industry.[69] Software providers told us they had struggled to design products for more complex customer scenarios due to restrictions HMRC imposed on pilot entrants and its product testing facility.[70] Evidence sent to us by APARI Software Ltd said that despite the Self Assessment pilot running for five years, it had failed to deliver the scale and testing needed for proper product development and therefore a lot of the new technology HMRC had invested in (to allow Making Tax Digital to work) had so far not been used or tested.[71]

30. We asked the Department if it accepted that the changing timeline of the programme undermined those who were developing a business around the requirements of the programme. HMRC recognised that the repeated delays to the programme's delivery had been unwelcome and had knocked confidence in the programme among those in the software industry. HMRC said it was working very closely with the software providers to give them as much certainty as possible so they could continue to develop products and create a healthy marketplace. HMRC acknowledged that the sooner it could agree the design for the Self Assessment programme, the easier it would be for software developers to start developing the software. HMRC recognised that providers would not build the software until there was more progress with the design. APARI Software Ltd, told us that Making Tax Digital for Self Assessment required significantly more investment from software providers than the VAT part of the programme. APARI Software Ltd explained that the programme's dependency on the software market meant that repeated delays

67 Qq 40, 81–83, 86, 89, 92
68 Qq 38, 80; C&AG's Report Figure 8
69 Qq 49, 50; PTD0014, Written evidence submitted by APARI Software Ltd, 19 June 2023
70 Q 49; C&AG's Report, para 3.28 and Figure 9; PTD0014, Written evidence submitted by APARI Software Ltd, 19 June 2023
71 PTD0014, Written evidence submitted by APARI Software Ltd, 19 June 2023

could lead to the programme failing if the commercial opportunity Making Tax Digital was expected to provide did not justify the major investment required by the software industry.[72]

31. We asked HMRC if it was concerned repeated delays would limit the number of software providers willing to develop products for taxpayers, and whether this could create a barrier for taxpayers using the programme. It told us it was worried about this, and it recognised that the announcements in December had clearly added to this risk. HMRC accepted that the sooner it could provide certainty about the size of the population and the requirements, the sooner it could mend the fences with the industry and make progress with increasing the software on offer.[73] The Business Application Software Developer Association (BASDA), the trade body for software developing companies in the UK, explained that software companies cannot continue to plan with continued uncertainty and had already spent millions in developing existing product with no customers.[74] Both the Institute of Charted Accountants in England and Wales (ICAEW) and APARI Software Ltd told us that some software providers had already cancelled their plans to develop products for the Self Assessment programme because of the most recent delays.[75] BASDA also told us that they had repeatedly raised concerns with HMRC and HM Treasury over the past few years, and in August 2022, wrote an escalation letter to HMRC's senior leadership team citing concerns over five key areas. These were commerciality, communication, regulatory/policy, technology, and testing. BASDA told us that it wrote a further escalation letter in November 2022 asking for full and timely engagement and clarity, given the further diminishing confidence in the programme among the developer community. BASDA also told us that the delays and descoping announced by HMRC in December 2022 were devastating to invested members of the software industry and recommended a lessons learned exercise with the software developer industry to ensure that the programme would be best set up to succeed in future.[76] HMRC recognised that the software markets' confidence and willingness to invest in developing products for taxpayers in a timely way was a critical success factor for the programme.[77]

32. HMRC told us that it accredits Making Tax Digital software products so that someone selecting that product knows it has been tested against HMRC systems and if they use it correctly it will successfully submit their information. It also provides information about the costs and the functionality within those product to help businesses decide which product to select.[78] In answer to our questions around software authorisation and certification, HMRC told us that it currently listed over 500 software products for VAT and explained that whilst it tried to keep the list up to date, it relied on software companies to notify HMRC if software no longer met the programme's requirements. HMRC expects the number of software products for VAT to reduce but could not tell us whether it plans to introduce further quality measures to ensure software meets its

72 Qq 49–50; PTD0014, Written evidence submitted by APARI Software Ltd, 19 June 2023
73 Q 63
74 PTD0013, Written evidence submitted by the Business Application Software Developers Association, 19 June 2023
75 PTD0007, Written evidence submitted by the Institute of Chartered Accountants England and Wales, 19 June 2023, PTD0014, Written evidence submitted by APARI Software Ltd, 19 June 2023
76 PTD0013, Written evidence submitted by the Business Application Software Developers Association, 19 June 2023
77 Q 63
78 Q73

accreditation standards.[79] Many customers have said they feel overwhelmed when having to choose software from HMRC's website for Making Tax Digital for VAT due to the amount available.[80] There have been quality issues with some of the software listed on HMRC's website. In its written evidence to us, Rossmartin Tax Consultancy Limited told us that one of its clients used listed software that allowed them to produce something completely incorrect, and another said their software choice had unexplained features that allowed double income reporting.[81] Coachbuilt Cards Ltd also told us that HMRC's website that listed the software products that taxpayers can choose from included many links that were broken, as well as many software products that were listed as free were in fact not.[82] We asked HMRC, as it approved the software to be listed on its website, who would be liable if something went wrong and the software it listed was faulty or allowed for major errors to be submitted in a tax return. HMRC did not say who would be liable if something went wrong but that it did not expect HMRC to face financial liability. HMRC explained that it envisaged that it would not charge customers a penalty fee if there was an error in their tax return because of a software issue. HMRC did not say whether it had factored the risk of financial liability because of software product failure into its longer-term risk overview of the programme.[83]

33. As well as having significant parts left to design and test and have the software development industry buy into and build products, HMRC also needs to plan how it will communicate these changes to its customers. HMRC told us that it had a very strong communication plan and it was working with the software industry to do some joint marketing because they can reach more customers working together. HMRC did not confirm how it would communicate with customers who do not use accounting software currently but said that it had milestones and a plan in place to ramp up awareness. In answer to questions about its communication plans, HMRC told us it had learned from the programme's introduction for VAT that businesses would say "come back and tell me when I need to do something". It said that while it did want to build up awareness in advance with agents, it wanted to give taxpayers notice for when they need to actively do something.[84]

79 Q 50, 57–59

80 Q 73; C&AG's Report, Figure 5

81 PTD0002, Written evidence submitted by Rossmartin Tax Consultancy Limited, 19 June 2023

82 PTD0005, Written evidence submitted by Coachbuilt Cars Ltd, 19 June 2023, C&AG's Report, para 2.7 and 2.8

83 Qq 74–75

84 Qq 90–92

Formal minutes

Monday 23 October 2023

Members present

Dame Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown

Mrs Flick Drummond

Mr Jonathan Djanogly

Peter Grant

Mr Mark Francois

Ben Lake

Progress with Making Tax Digital

Draft Report (*Progress with Making Tax Digital*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 33 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Eightieth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Adjournment

Adjourned till Thursday 9 November at 9.30 a.m.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 19 June 2023

Jim Harra CB, First Permanent Secretary and Chief Executive, HM Revenue and Customs; **Jonathan Athow**, Director General of Customer Strategy and Tax Design, HM Revenue and Customs; **Jo Rowland**, Director General of Transformation, HM Revenue and Customs Q1–102

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

PTD numbers are generated by the evidence processing system and so may not be complete.

1 APARI (PTD0014)

2 Association of Accounting Technicians (AAT) (PTD0004)

3 BASDA (PTD0013)

4 Cameron, James (PTD0003)

5 Chartered Institute of Taxation (PTD0008)

6 Cirrostratus Exedra Ltd (PTD0009)

7 Coachbuilt Cars Ltd (PTD0005)

8 Crundell & Co Accountancy Ltd; and Community Accounting Services Ltd (PTD0001)

9 Institute of Chartered Accountants England and Wales (ICAEW) (PTD0007)

10 Low Incomes Tax Reform Group (PTD0012)

11 Rossmartin Tax Consultancy Limited (PTD0002)

12 The Association of Independent Professionals and the Self-Employed (IPSE) PTD0011)

13 The Association of Taxation Technicians (PTD0006)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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Number	Title	Reference
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2nd	The condition of school buildings	HC 78

Session 2022–23

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1st	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21	HC 59
2nd	Lessons from implementing IR35 reforms	HC 60
3rd	The future of the Advanced Gas-cooled Reactors	HC 118
4th	Use of evaluation and modelling in government	HC 254
5th	Local economic growth	HC 252
6th	Department of Health and Social Care 2020–21 Annual Report and Accounts	HC 253
7th	Armoured Vehicles: the Ajax programme	HC 259
8th	Financial sustainability of the higher education sector in England	HC 257
9th	Child Maintenance	HC 255
10th	Restoration and Renewal of Parliament	HC 49
11th	The rollout of the COVID-19 vaccine programme in England	HC 258
12th	Management of PPE contracts	HC 260
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14th	Investigation into the British Steel Pension Scheme	HC 251
15th	The Police Uplift Programme	HC 261
16th	Managing cross-border travel during the COVID-19 pandemic	HC 29
17th	Government's contracts with Randox Laboratories Ltd	HC 28
18th	Government actions to combat waste crime	HC 33
19th	Regulating after EU Exit	HC 32
20th	Whole of Government Accounts 2019–20	HC 31
21st	Transforming electronic monitoring services	HC 34
22nd	Tackling local air quality breaches	HC 37

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23rd	Measuring and reporting public sector greenhouse gas emissions	HC 39
24th	Redevelopment of Defra's animal health infrastructure	HC 42
25th	Regulation of energy suppliers	HC 41
26th	The Department for Work and Pensions' Accounts 2021–22 – Fraud and error in the benefits system	HC 44
27th	Evaluating innovation projects in children's social care	HC 38
28th	Improving the Accounting Officer Assessment process	HC 43
29th	The Affordable Homes Programme since 2015	HC 684
30th	Developing workforce skills for a strong economy	HC 685
31st	Managing central government property	HC 48
32nd	Grassroots participation in sport and physical activity	HC 46
33rd	HMRC performance in 2021–22	HC 686
34th	The Creation of the UK Infrastructure Bank	HC 45
35th	Introducing Integrated Care Systems	HC 47
36th	The Defence digital strategy	HC 727
37th	Support for vulnerable adolescents	HC 730
38th	Managing NHS backlogs and waiting times in England	HC 729
39th	Excess Votes 2021–22	HC 1132
40th	COVID employment support schemes	HC 810
41st	Driving licence backlogs at the DVLA	HC 735
42nd	The Restart Scheme for long-term unemployed people	HC 733
43rd	Progress combatting fraud	HC 40
44th	The Digital Services Tax	HC 732
45th	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2021–22	HC 1254
46th	BBC Digital	HC 736
47th	Investigation into the UK Passport Office	HC 738
48th	MoD Equipment Plan 2022–2032	HC 731
49th	Managing tax compliance following the pandemic	HC 739
50th	Government Shared Services	HC 734
51st	Tackling Defra's ageing digital services	HC 737
52nd	Restoration & Renewal of the Palace of Westminster – 2023 Recall	HC 1021
53rd	The performance of UK Security Vetting	HC 994
54th	Alcohol treatment services	HC 1001
55th	Education recovery in schools in England	HC 998
56th	Supporting investment into the UK	HC 996

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57th	AEA Technology Pension Case	HC 1005
58th	Energy bills support	HC 1074
59th	Decarbonising the power sector	HC 1003
60th	Timeliness of local auditor reporting	HC 995
61st	Progress on the courts and tribunals reform programme	HC 1002
62nd	Department of Health and Social Care 2021–22 Annual Report and Accounts	HC 997
63rd	HS2 Euston	HC 1004
64th	The Emergency Services Network	HC 1006
65th	Progress in improving NHS mental health services	HC 1000
66th	PPE Medpro: awarding of contracts during the pandemic	HC 1590
67th	Child Trust Funds	HC 1231
68th	Local authority administered COVID support schemes in England	HC 1234
69th	Tackling fraud and corruption against government	HC 1230
70th	Digital transformation in government: addressing the barriers to efficiency	HC 1229
71st	Resetting government programmes	HC 1231
72nd	Update on the rollout of smart meters	HC 1332
73rd	Access to urgent and emergency care	HC 1336
74th	Bulb Energy	HC 1232
75th	Active travel in England	HC 1335
76th	The Asylum Transformation Programme	HC 1334
77th	Supported housing	HC 1330
78th	Improving resettlement support for prison leavers	HC 1329
79th	Support for innovation to deliver net zero	HC 1331
1st Special Report	Sixth Annual Report of the Chair of the Committee of Public Accounts	HC 50
2nd Special Report	Seventh Annual Report of the Chair of the Committee of Public Accounts	HC 1055

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