

Sage – Written evidence (DFF0018)

As a software provider, we support any changes to the tax administration framework which digitalise processes to make it simpler and more efficient for taxpayers to complete common tax and accounting tasks. This will ensure the tax system is fit for the 21st century. We believe that tax shouldn't be a burden for business and any simplifications that improve accuracy and ease the digital journey are positive improvements. We therefore support the introduction of Making Tax Digital (MTD) and the principles of the basis period reforms, particularly as the changes will ensure aligning of reporting periods for different taxes. This will create a more streamlined approach and make it easier for business to navigate. We also support the plans to address the challenges which currently exist around overlap profits, such as businesses failing to reclaim it, which can have detrimental consequences to the future success of a small business.

However, we would encourage HMRC to consider a few points in relation to the proposals to improve the reforms. For some individuals, the changes may impact their cash flow, particularly given the impact of the pandemic. While we welcome the indication that businesses will be able to spread the transitional profits over five years, it would be beneficial for HMRC to surface the overlap profit value in advance, through an individual personal account and the Agents Service Account, to allow for planning and financial management. Agents and software providers will also need clarity and certainty around dates of the changes to make relevant product updates and so agents can inform clients in good time. Whilst we support the alignment of reporting dates, which these reforms will ensure, it is important that the government does not introduce the changes now if they are considering changing the tax year date in the future. This would defeat the purpose of the proposals i.e., to streamline processes and align on dates and would complicate and confuse many individuals and agents down the line.

At Sage, we are continuing to invest and develop our product proposition for Making Tax Digital (MTD) for Income Tax Self-Assessment (ITSA) and we are confident we will be able to meet the timetable for both MTD and basis period reporting. We will continue to work in partnership with HMRC to raise awareness of the changes and provide timely guidance in the run up to implementation of these reforms. Our MTD hub on our website also provides our customers, small businesses, and accounts, with free help and expert advice to help navigate the changes and to help make the transition as smooth as possible.

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