

# BCC: delay roll-out of Making Tax Digital

Ten months ahead of its planned introduction, an alarmingly high proportion of UK businesses have little or no awareness of HM Revenue and Customs' flagship Making Tax Digital project, according to new research released today (Tuesday) by the British Chambers of Commerce, in partnership with Avalara.

- 24% of firms have never heard of Making Tax Digital, which comes into effect next April for VAT
- Only 10% of firms know 'a lot of details' about the switch to the digitised tax system

Based on the responses of over 1,100 firms, with less than a year to go until the government plans to roll out Making Tax Digital (MTD), there is a widespread lack of awareness among business communities about the switch to a digitised tax system. A quarter (24%) of firms have never heard of it, and two-thirds (66%) know it only by name or some details about it.

All VAT registered businesses will have to maintain digital records for VAT and submit their returns digitally from April 2019 – just days after the UK leaves the EU. Of those that are aware of the change, a quarter (25%) have made no preparations at all. This is a concern as MTD will require VAT registered firms to have MTD compatible software in place that can create a VAT return and connect to HMRC systems via an Application Programming Interface (API). This is a much more complex process for businesses than the current online process of manual completion of VAT returns.

As the government prepares to roll out this flagship policy, businesses are reporting low levels of satisfaction and support from HMRC. Asked to rate the overall level of service, help and support received from HMRC on a scale of one to five, 60% of firms gave the tax authority a rating of 3 or less. Levels of direct engagement with HMRC remain low. Of those firms that are aware of MTD, just 6% of businesses have contacted HMRC for advice (including online services, webinars, or via their telephone services), compared to 51% who have spoken to an accountant.

The BCC is therefore calling for the introduction of Making Tax Digital to be delayed for all businesses until the start of the 2020/21 financial year. This would give HMRC the breathing space to engage effectively with businesses, ensure that the necessary software is in place, and raise levels of awareness about the impending changes. While steps have been taken to free-up capacity, businesses remain concerned that HMRC may still lack the resources to deliver MTD at the same time as supporting firms through the Brexit process (particularly given the level of uncertainty over the final customs arrangement), as well as day-to-day compliance issues. The delay to this initiative would also provide HMRC with the extra headroom that maybe needed to support business on these vital issues.

**Mike Spicer, Director of Economics and Research at the British Chambers of Commerce (BCC), said:**

“The government’s aim to modernise the UK’s tax system is admirable, but in view of low business awareness and the impending challenges of Brexit, it would make sense for HMRC to delay the implementation of Making Tax Digital in order to get this change right.

“We are concerned that far too many firms still aren’t clear on what Making Tax Digital is, or what it means for their operations. With just months to go before the deadline, these knowledge gaps could make the timeline for change unworkable for many firms.

“Ministers must face up to the reality of the pressures facing HMRC and delay the introduction of Making Tax Digital for all businesses for the next financial year. This would allow the Revenue to focus its immediate attention on supporting businesses through the Brexit process, which must be a key priority.

“When Making Tax Digital is implemented, the acid test will be whether it ultimately creates a simpler and more efficient tax system, or yet more onerous administrative burdens that stifle the growth of UK firms.”

**Richard Asquith, VP of Global Indirect Tax at Avalara, said:**

“Making Tax Digital will affect 2.6 million businesses. It is the biggest overhaul in VAT obligations in decades. Approximately 25% of businesses are still using manual or spreadsheet record keeping, which falls foul of HMRC’s new requirements. It is still not clear how they can become compliant without more education plus investment in compliance accounting packages. To date, HMRC have remained confident that they can cope with MTD and Brexit; although 29 other efficiency projects have had to be cancelled or delayed in preparation of the UK leaving the EU in March 2019.

“HMRC will be clarifying their Making Tax Digital program at our free Tax Summit in London on the 3<sup>rd</sup> October. This will be a great chance for businesses to have some of their concerns addresses by HMRC directly.”

**Ends**

**Notes to editors:**

The British Chambers of Commerce (BCC) surveyed 1,073 businesses from all regions of the UK online from 11 to 25 April 2018.

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 53 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: [www.britishchambers.org.uk](http://www.britishchambers.org.uk)

Avalara helps businesses of all sizes achieve compliance with their international VAT and transactional tax obligations. Whether businesses are

expanding into new markets, implementing new technology, or simply trying to be more efficient, Avalara's software solutions and managed VAT services can help reduce costs and improve filing accuracy.

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