

Government sets out draft agenda for a 21st century tax system

As part of the Treasury's long-term tax digitisation plan – designed to boost national productivity, make it easier for businesses and people to pay tax and reduce avoidable errors and fraud – HMRC's Making Tax Digital programme will be gradually extended.

At present, businesses above the VAT threshold of £85,000 are covered by the system, which requires them to keep digital records and provide VAT returns through software. Since it was introduced in 2019 more than 1.4 million businesses have joined the programme, submitting over 6 million returns.

From April 2022, the programme will be extended to all VAT registered businesses with turnover below the VAT threshold (£85,000), and from April 2023, it will apply to taxpayers who file income tax self-assessment tax returns for business or property income over £10,000 annually.

Financial Secretary to the Treasury, Jesse Norman, said:

We are setting out our next steps on Making Tax Digital today, as we bring the UK's tax system into the 21st century.

Making Tax Digital will make it easier for businesses to keep on top of their tax affairs. But it also has huge potential to improve the productivity of our economy, and its resilience in times of crisis.

Making Tax Digital changes will affect the way that taxes are reported, not the level of tax that is collected. It will help to minimise avoidable mistakes – which cost the exchequer £8.5 billion in 2018-19.

The long lead-in time will allow businesses, landlords and agents time to plan. It also gives software providers enough notice to bring a range of new products to market, including free software for businesses with the simplest tax affairs.

Over 30% of smaller VAT-registered businesses, who are not yet required to use Making Tax Digital, have chosen to do so voluntarily because of the wider benefits the digital tools offer, including fewer errors and increased productivity.

Other countries have already done this – Denmark introduced a digital system back in 2014, and digital reporting is now well-established and has reduced the amount of time businesses spend on their tax affairs.

The extension is part of a number of announcements which deliver on government commitments and give taxpayers clarity over the future direction

of travel. As part of this, the government is today also publishing draft legislation for the next Finance Bill, a regular annual publication.

Notes

To see all new announcements and immediate effect measures please see here [Written Ministerial Statement](#)

To see draft Finance Bill 2020-21 legislation and supporting documents [Finance Bill](#)