



# Treasury Committee

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David Gauke Esq MP  
Financial Secretary to the Treasury  
HM Treasury  
1 Horse Guards Road  
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26 April 2016

*Dear David,*

## Making Tax Digital

I understand that HMRC has recently clarified, for the first time, that businesses would be required not just to submit information to HMRC online once a quarter, but that they would also be required to do all their record keeping in a prescribed digital format.<sup>1</sup> This would entail the use of designated software packages. It would have an impact on large businesses (who may not currently have accounting systems which are compatible with HMRC's requirements) as much as on small businesses (who may not use computers).

For several months HMRC have been talking of keeping business records "in digital form". Until last month there was a general understanding among most tax professionals that businesses could use their own choice of package for their record keeping, as long as it was digital. Digital had not been clearly prescribed and was understood to include, for example, Excel. It was only recently that HMRC's apparent intended meaning - that businesses will be required to use particular software, and systems that are compatible with HMRC's - has become clear.

This may affect the overwhelming majority of businesses. A survey published by the ICAEW recently suggested that 75 per cent of all businesses, and 82 per cent of sole traders, would need to change their record keeping systems to comply with the Government's new proposals for Making Tax Digital.<sup>2</sup>

If this sample is representative, and if their fears are borne out, then it seems implausible that Making Tax Digital could generate large savings to business - as the Government is

<sup>1</sup> 'Digital Record Keeping', Tax Faculty Team, ICAEW, 4 March 2016

<sup>2</sup> 'UK business survey into quarterly digital tax reporting', Tax Faculty Team, ICAEW, 11 March 2016

forecasting. On the contrary, the vast majority of businesses may face increased compliance costs. This would be a cause for serious concern.

It is not too late to do something about this. A thorough impact assessment is the minimum required before proceeding with the Government's proposals to make digital record keeping compulsory.

I will be placing this letter, and your reply in due course, in the public domain.

Yours sincerely,  
Andrew

**RT HON ANDREW TYRIE MP**  
**CHAIRMAN OF THE TREASURY COMMITTEE**