



# HOUSE OF LORDS

## SELECT COMMITTEE ON ECONOMIC AFFAIRS

### FINANCE BILL SUB-COMMITTEE

#### CALL FOR EVIDENCE: FINANCE BILL 2017, Making Tax Digital

The House of Lords Economic Affairs Committee has set up a Finance Bill Sub-Committee (the FBSC) to inquire into the draft Finance Bill 2017, most of which was published on 5 December 2016.

The FBSC's inquiries focus on issues of tax administration, clarification and simplification rather than on rates or incidence of tax.

This year the FBSC intends to inquire into the provisions required to establish the new mandatory digital tax account regime ('Making Tax Digital') which is due to replace the current system of annual tax returns starting in April 2018. Her Majesty's Revenue and Customs (HMRC) indicate that the relevant draft Finance Bill 2017 clauses will be published in January 2017, following HMRC's consideration of the responses to its 2016 consultation on the proposed changes.

#### Background to the inquiry

The Government plans to 'make tax digital' by 2020 by replacing tax returns with digital tax accounts for individuals and requiring digital reporting by businesses and private landlords. In 2016 the Sub-Committee considered the first step on this road: the introduction of Simple Assessments of tax liability calculated by HMRC to replace the self-assessment system for a limited number of individuals. In September and October the Treasury Select Committee took evidence on the policy and published a report in January 2017.

The 2017 Finance Bill is expected to contain the provisions that affect businesses and private landlords. Based on HMRC's consultations in 2016, the draft clauses may include:

- a. the obligations of taxpayers covered by the new scheme, including any proposal to mandate the use of computer software or 'apps' to keep their business records and to provide quarterly returns of this data to HMRC;
- b. the timing of the introduction of these provisions, starting from April 2018;
- c. the possible 'points-based' penalty regime which will apply to failures to comply with the new obligations;
- d. the scope of any exemptions for the smallest businesses and landlords and for the 'digitally excluded';
- e. any proposed simplifications to the rules governing tax accounts drawn up by small businesses and partnerships and property businesses; and
- f. an in-year voluntary pay-tax-as-you-go scheme based on digital records and updates.

#### Evidence sought

Subject to publication of the relevant clauses, the inquiry will consider the extent to which the measures proposed in the draft legislation will contribute to the modernisation,

simplification and efficiency of the tax system, as well as their impact on the compliance and other costs borne by taxpayers, particularly smaller businesses and private landlords.

The focus of the inquiry may alter should the scope of the draft provisions differ substantially from the proposals consulted on. Subject to this, the FBSC invites evidence on the provisions contained in the draft clauses and in particular the following topics:

- 1) **the evidence underlying the case for the Making Tax Digital proposals and their suggested impact.** The FBSC would be interested in statistical and other evidence, including that drawn from the experience of other tax jurisdictions, relevant to an assessment of the potential impacts of these proposals on businesses, landlords and other taxpayers;
- 2) **the evidence base for mandatory digital reporting.** In particular the potential impact on the 'tax gap' and for HMRC resources;
- 3) **the scope of the exemptions and measures to help the digitally excluded;**
- 4) **the robustness of the proposed timetable** from the perspective of each of the groups affected, including the software industry, different taxpayer groups (such as small businesses and landlords), intermediaries and HMRC;
- 5) **the adequacy of the proposed measures to simplify the calculation of taxable profits and basis periods and the timing of their introduction;** and
- 6) **the consequential revisions to the penalty regime.**

The Sub-Committee would welcome evidence from businesses, landlords and other affected individuals about the draft clauses.

## **Timetable**

The written submissions will guide the FBSC's deliberations in oral evidence sessions and also inform the Sub-Committee's final conclusions and recommendations.

Written evidence on the background and general issues (questions 1 and 2) should reach the Committee by 3 February 2017.

Written evidence on the draft clauses (questions 3 – 6) should reach the Committee by 15 February 2017.

Public hearings will be held in February 2017. The report will be published by the end of March 2017.

Information about the FBSC including membership and recent inquiries can be found on this link: <http://www.parliament.uk/business/committees/committees-a-z/lords-select/economic-affairs-finance-bill-sub-committee/>.

*13 January 2017*

Written evidence should be submitted online using the written submission form available at [www.parliament.uk/finance-bill-2017-sub-committee-submission-form](http://www.parliament.uk/finance-bill-2017-sub-committee-submission-form). This page also provides guidance on submitting evidence.

If you have difficulty submitting evidence online, please contact the Sub-Committee Clerk by email to [waller@parliament.uk](mailto:waller@parliament.uk) or by telephoning 020 7219 5358.

Short submissions are preferred. A submission larger than six pages should include a one page summary.

Paragraphs should be numbered. All submissions made through the written submission form will be acknowledged automatically email.

Evidence which is accepted by the Sub-Committee may be published online at any stage; when it is so published it becomes subject to parliamentary copyright and is protected by parliamentary privilege. Submissions which have been previously published will not be accepted as evidence. Once you have received acknowledgment that the evidence has been accepted you will receive a further email, and at this point you may publicise or publish your evidence yourself. In doing so you must indicate that it was prepared for the Committee, and you should be aware that your publication or re-publication of your evidence may not be protected by parliamentary privilege.

Personal contact details will be removed from evidence before publication, but will be retained by the Committee Office and used for specific purposes relating to the Committee's work, for instance to seek additional information.

Persons who submit written evidence, and others, may be invited to give oral evidence. Oral evidence is usually given in public at Westminster and broadcast online; transcripts are also taken and published online. Persons invited to give oral evidence will be notified separately of the procedure to be followed and the topics likely to be discussed.

Substantive communications to the Sub-Committee about the inquiry should be addressed through the clerk of the Sub-Committee, whether or not they are intended to constitute formal evidence to the Sub-Committee.

This is a public call for evidence. Please bring it to the attention of other groups and individuals who may not have received a copy direct.

You may follow the progress of the inquiry at [www.parliament.uk/finance-bill-2017-sub-committee](http://www.parliament.uk/finance-bill-2017-sub-committee) and via the Economic Affairs Committee's twitter account [@LordsEconCom](https://twitter.com/LordsEconCom)