



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt. Hon Andrew Tyrie MP  
Chair, Treasury Select Committee  
House of Commons  
London  
SW1A 0AA

21 March 2017

*Dear Andrew*

**MAKING TAX DIGITAL FOR BUSINESS**

Thank you for your letter of 7 February concerning Making Tax Digital for Business.

You asked for further information to support HMRC's estimate of the costs to business arising from Making Tax Digital. On 31 January, the government published an updated impact assessment, informed by consultation responses. This included HMRC's estimates of the transitional costs and an explanation of how these were made.

However, I recognise that it is in the public interest to be clear about how HMRC's estimate compares to the estimates provided by external commentators. I have therefore provided further information annexed to this letter detailing the methodology and assumptions underpinning the impact assessment.

I hope you find this explanation and the enclosed note helpful. HMRC's methodology is well established and based on current evidence. However, HMRC will, of course, continue to update its assessment in the light of any new evidence it gathers, for example, through the large scale public pilot.

*I hope this is helpful.*

*With kind regards,*

*Jane*

JANE ELLISON