



## MAKING TAX DIGITAL - CORPORATION TAX

Issued 4 March 2021

ICAEW welcomes the opportunity to comment on the proposals relating to the introduction of Making Tax Digital (MTD) for corporation tax published by HM Revenue & Customs on 12 November 2020 a copy of which is available from this [link](#).

This response of 4 March 2021 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 186,500 chartered accountant members and students around the world. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2021

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: [representations@icaew.com](mailto:representations@icaew.com)

---

### ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK  
T +44 (0)20 7920 8100 F +44 (0)20 7920 0547 [icaew.com](http://icaew.com)

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)  
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

**KEY POINTS**

1. ICAEW welcomes the opportunity to comment on the proposals relating to the introduction of Making Tax Digital (MTD) for corporation tax (CT) published by HM Revenue & Customs on 12 November 2020 a copy of which is available from this [link](#).
2. We note that the impact of the proposals will differ considerably depending on the size of the company or group involved. In our response, we refer to four categories of company, differentiated by size and make specific comments relevant to each category:
  - a. Turnover up to £85,000 (ie below the VAT threshold)
  - b. Turnover at least £85,000 but not large enough to require a statutory audit
  - c. Large enough to need an audit but not a senior accounting officer
  - d. Companies that require a senior accounting officer
3. As set out in our responses to earlier consultations on Making Tax Digital, we are supportive of HMRC's ambition for digital transformation. We note that many companies (especially those in categories b., c. & d.) use multiple systems to manage their business records. For example, they may have separate systems for payroll, stock management, sales and purchase ledgers and a 'consolidation' system to turn all of these into a set of accounts. We urge the Government to consult closely with companies and software developers alike to ensure that the range of software packages developed offers sufficient choice for businesses so that they have multiple options that would seamlessly align with their existing record keeping procedures.
4. However, we remain unconvinced of the benefit to HMRC of requiring companies to submit quarterly reports. Those reports will tell HMRC very little about the true accounting or tax results of the company for the quarter concerned for the following reasons:
  - a. Accruals and other accounting adjustments would be required to arrive at results that bear some resemblance to a true profit and loss position for the period. Adjustments would then be required under tax law in order to arrive at a position equivalent to PCTCT for the quarter.
  - b. It is likely that some errors will exist in the data which are more efficiently cleansed at the year-end on a batch-processing rather than a real-time basis. This includes situations where, for example, not all necessary data exists at the time the invoice is processed (eg refurbishments where initial costs are allocated in part by reference to costs incurred 1-2 years later) or invoices lacking sufficient data to permit accurate processing.
5. Given the limited benefit that HMRC will derive from this, we believe that the additional burden placed on companies in providing quarterly reports is not justified and should not be introduced until digital record keeping has become established and the software available is shown to work efficiently for companies and HMRC. At the very least, we believe that category a. companies should be exempted from quarterly reporting on the basis that it is likely to impose proportionally the greatest burden on them. For the reasons set out in our answer to question 11, we believe that category d. companies should also be exempt
6. We also note that VAT registered companies would already be submitting quarterly reports under MTD for VAT and we see little benefit to HMRC of requiring companies to submit a second set of quarterly reports which are likely to provide very little meaningful information additional to what has already been provided in the VAT returns.
7. It is also worth stressing, particularly in category c. and d. companies, that statutory accounts and tax computations are generally prepared using a completely different software system to that in which the company's records are held, either by in-house specialists or by agents. Transfer from the latter to the former systems will generally be done with a large amount of

human intervention and by different teams. Hence, it is not necessarily the case that a digital imprint planted within underlying records under MTD for CT will be reflected in the final product submitted to HMRC.

8. In addition to the aim of making accounting and tax records more accurate, we believe that MTD for CT is also an opportunity to make interaction with HMRC by companies and their agents easier and cheaper. For example, a corporate tax account portal could be developed which could be used, amongst other things, to notify HMRC of changes in the company's circumstances, such as ceasing to trade or going into liquidation/administration and for submitting returns, claims and elections.

## ANSWERS TO SPECIFIC QUESTIONS

### ***Question 1: Do you think there are any reasons why an entity within the charge to CT (or a sum assessable as though it were CT), should not fall within the overarching scope of MTD?***

9. We believe that there are a number of types of organisations and entities that should be exempted from MTD or should follow an alternative approach. As a broad point of principle, we believe that any type of organisation or entity that generally does not have income chargeable to corporation tax should be exempted from MTD for CT. Some of these are explored in our responses to questions 12, 19 & 20. In addition, we recommend the following:

#### **Dormant companies**

10. As dormant companies will have no income, we believe that an exemption should apply. For the sake of clarity, we believe that the definition of a dormant company at s1169 CA 2006 should be used to determine to which companies this exemption applies. The general rule at s1169 (1) is:

'A company is "dormant" during any period in which it has no significant accounting transaction.'

11. As long as a company meets this definition, it would be wholly disproportionate that it should be required to maintain digital records. We believe that this should also apply to companies that HMRC accepts are dormant, such as flat management companies, in most cases.

#### **Corporate partners of partnerships and LLPs**

12. Although partnerships with one or more corporate partners will not initially be included within MTD for Income Tax, we understand that they will be required to participate from a future, as yet, unspecified date. We assume that this will (and consider that it would make sense to) align with the date of introduction of MTD for corporation tax. If this is the case, then the business activities of the partnership concerned will be recorded digitally and be subject to quarterly reporting. It therefore seems superfluous that corporate partners of such partnerships should be required to follow the same requirements unless these companies have other business or property income, especially as no such requirement will apply to individual partners.

#### **Non-resident companies disposing of UK property or shares in property-rich companies**

13. We believe that companies falling within the charge to corporation tax merely because of the disposal of a UK property or shares in a property-rich company should be exempted from MTD for CT. Such companies are likely to only have one or no more than a handful of transactions during the year. Indeed, a company with just one disposal may have a one-day accounting period. We believe that requiring such companies to record these small number of transactions digitally and complete quarterly reports seems to be an unnecessary administrative burden with no obvious benefit to HMRC.

**Companies predominately receiving royalties in the creative sectors**

14. Companies that have been set up by writers, composers and recording artists would struggle to account for those royalties on a real-time accruals basis because there can be a considerable time delay between royalties being earned and received. Hence, if those companies entered MTD, realistically receipts would need to be accounted for on a cash basis and the amounts included within quarterly reports would bear very little relation to the royalties earned in those quarters. HMRC already unofficially allows this treatment for MTD for VAT and would need to allow a similar approach to MTD for CT.

**Question 2: Do you agree that all entities should be required to record the date, amount, and category for all transactions within MTD compatible software? Where this approach differs to your current approach to record keeping, please provide details of any additional one-off and ongoing costs or savings.**

15. We note that from April 2022, all VAT registered businesses (including those registered voluntarily) will be required to maintain digital records in order to make VAT returns using MTD. This will already achieve HMRC's aim of having associated income and expenses recorded in a digital format and regular reports of such transactions reported to them. We acknowledge that companies applying the VAT partial exemption method will not need to report VAT-exempt income and associated expenses. However, we would be surprised if those businesses did not record these transactions digitally if they are already doing so for the transactions included in their VAT returns.
16. We believe that for the purposes of MTD for CT, digitisation of records should only be mandated at a general ledger rather than a transaction level, although we would welcome the development of software that would allow digitisation to be done at a transactional level to give companies the choice. Digitisation at a general ledger level would ease the burden on all categories of company and would still ensure that HMRC's aims of encouraging records to be kept in a digital format are met.
17. The record keeping procedures of category a. companies vary considerably from those who are already fully digitalised through to those who prepare spreadsheets once a year from paper invoices and receipts. While we see the benefit in improving the accuracy of record keeping by fully digitalising them, this will come at a material cost to many businesses, depending on the nature of their activities and existing record keeping practices.
18. Most category a. businesses outsource their record keeping activities to a bookkeeper who only reviews the company's accounts on a periodic, rather than a real-time basis. Setting mandatory digitisation at a general ledger level would mean that the bookkeeper needs to only review and digitise records on a periodic basis to categories of transaction, rather than individual transactions themselves, hence minimising the additional cost that digitisation brings to the cost of hiring a bookkeeper to draw up MTD-compliant accounts.
19. All other categories of company would also benefit from the option of keeping digitisation at the general ledger level as this would require less change to existing enterprise resource planning systems and reduce the cost of maintaining digital records.

**Question 3: Would group companies value the ability to keep digital records at group level? Are there any additional benefits to utilising a mixed approach?**

20. There would certainly be administrative benefits from one company keeping digital records for all companies in the group, although in practice this would generally be done by a group finance department in any event. There would also be in-year administrative benefits to keeping digital records for the group as a whole rather than on an entity-by-entity basis, although those records would need to be allocated to individual companies eventually when company accounts are prepared. We believe that companies should be given the choice of

keeping digital records at either a group or company level depending on how their finance systems are already set up and what works best for them.

21. Transactions between group companies would be ignored if only those with external parties were recorded but such intra-group transactions would also need to be recognised in order to prepare company accounts and may be missed if they are not recorded under MTD. As such, we recommend that if a single group company records the transactions for all the group companies, it should be given the option of reporting these on a consolidated or on an entity-by-entity basis. The latter would make it easier to identify intra-group transactions when the individual companies' accounts and computations are prepared.
22. We note that complications may arise, for example, where there are joint venture companies, consortia or companies within a group that have different year ends or keep accounts in different currencies. Legislation and guidance would need to clearly set out how to deal with these complications.

***Question 4: Do you agree with the suggested minimum categorisation for MTD compatible software?***

23. We note at paragraph 3.15 of the consultation document HMRC states that there should be parity with the categorisation required for income tax under MTD. While we acknowledge the consistency that this would provide, we believe that it is more important to ensure that the categorisation aligns with that in the iXBRL detailed P&L that the company will be required to prepare in order to file its statutory accounts. Otherwise, the company will be maintaining account records using one format only to have to recategorise them when it comes to preparing its accounts. Most accounting software systems do not allow items to be dual-categorised and recategorising would create an unnecessary additional administration burden.

***Question 5: Are there further categories or alternative approaches to the categorisation of records within MTD compatible software that you consider would be appropriate?***

24. In line with our comments above, we believe that any approach adopted should be compatible with the iXBRL tagging required to statutory accounts and tax returns. We also believe that HMRC should consult with businesses from a wide range of sectors before finalising its categorisation list to ensure that categories that are specific only to certain sectors are included. A list of categories that is too generic may not suit businesses in more specialised areas such as oil and gas, property and insurance.

***Question 6: Would group companies value the ability to provide regular updates through a nominated company? Please provide details of any increased or reduced administrative burdens or costs that could result from this.***

25. In many groups, it is likely that quarterly updates would be prepared by a group finance team. In such cases, it doesn't matter greatly whether these updates are submitted to HMRC in the name of one company or all the group companies involved. In other cases, individual companies operating in separate locations may have their own finance teams. In those cases, while it might be more efficient for a group finance function to make all the reports on behalf of the group due to efficiencies of scale, this benefit might be reduced by the need for individual company personnel to report their results to central finance staff. In short, we welcome flexibility in the options available for reporting so that groups are able to choose the method that best suits their internal systems and operations. We note that HMRC already allows group finance departments to set up an agent services account to allow them to file MTD for VAT returns for all companies within the group. We recommend that something similar is included as an option for MTD for CT.

**Question 7: Do you foresee any constraints to providing updates at group level and how do you think these could be addressed?**

26. The main difficulty we can foresee is the fact that the nominated company would be taking responsibility for the updates provided on behalf of all group companies and the data underlying each one. If HMRC introduced a penalty regime it would need to clarify which entity the penalty should be issued to in the event that a report is filed late or not at all. This could be especially difficult to determine if nominated companies are allowed to report on behalf of consortia where there is not one single parent company with control over all the companies being reported on.

**Question 8: Which forms and processes around incentives, allowances and reliefs would you most like to see digitised? Please provide details of the guidance and/or tailored assistance that would help this process.**

27. We believe that administrative savings could be achieved for both companies and HMRC from digitalising any remaining claims and elections and other processes which are currently only possible to complete on paper. These include:
- Claims and elections with a deadline of four years from the end of the accounting period to which they relate eg double tax relief claims under s18 TIOPA 2010
  - Claims for repayment of loans to participator charges under s458 CTA 2010
  - Elections under s198 CAA 2001 to fix the proportion of the proceeds from a land and building sale to fixtures for capital allowances purposes
  - Elections under the disregard regulations (SI 2004/3256)
28. As part of MTD for CT we believe that HMRC could take the opportunity to develop a multi-functional corporate tax portal which companies and their agents could use to make all filings and official interactions with HMRC. This could be used, for example, to file claims and elections, as well as submitting and amending corporation tax returns (including after the usual two-year amendment window).

**Question 9: What practical benefits do you think could result from standardising how entities submit claims and elections through software? Please provide details of any increased or reduced administrative burdens or costs that could result from this.**

29. A corporate tax portal of the type set out above which also contained a record of filings and submissions made would make it much easier for companies and HMRC to agree what claims and elections are in place, thereby reducing disagreements and the need for correspondence to clarify the position.

**Question 10: Do you agree that an entity's update cycle should be based upon its expected accounting period with updates due one month after each quarter end?**

30. If quarterly updates are introduced, we agree they should be based on the company's accounting period. We believe that if the company has been inputting its transactions on a real time basis, then a month should be more than enough time after the end of the quarter to file each report. However, we reiterate that the report would merely consist of cash in and out transactions and would bear no relation to an accurate tax result for the quarter. To produce something more accurate, accruals adjustments and amendments to reflect tax law would need to be made. Depending on the complexity of the company concerned, this could be quite a lengthy process even though it would relate only to a quarter's worth of results. If HMRC wanted to see something that was more akin to a quarterly tax assessment, this could take at least two months to prepare.
31. Companies that are not recording transactions digitally on a real time basis may need longer to prepare their reports. Owner managed companies with no or very few employees may not

have the resource to carry out their bookkeeping in house and may employ a third party to do this for them. If the bookkeeper only looks at the company's records every quarter, then it may take longer than a month to complete the work it would need to do in order to produce the required report.

32. We noted above that companies who are within the scope of MTD for VAT (category b. – d. companies) will already need to be geared up to produce VAT returns within 1 month and 7 days of the end of the quarter and so should already be set up to produce a report in a timely fashion. If quarterly reports are to go ahead, we believe that this should not be a mandatory requirement for category a. companies.

**Question 11: Do you agree with the principles for very large companies within the QIPs regime?**

33. We agree that very large companies should be exempted from providing quarterly reports, but we do not believe that the cut-off should be whether companies fall within the large company quarterly instalment payments regime. As the tests for QIPs are solely based on taxable profits, companies can fall inside and outside of them on a year by year basis depending on their results each year. Instead, we believe that the test should be whether a company is a category d. company, Such companies are already subject to a high level of scrutiny by HMRC and are required to demonstrate a minimum standard of good governance (through the appointment of a senior accounting officer and publication of a tax strategy document, for example), As such, HMRC should be satisfied that these businesses already have robust procedures in place to ensure their records are accurate. Companies also do not tend to continually switch between being inside and outside these regimes on a frequent basis.

**Question 12: Do you consider that any of these other scenarios require a different approach to the process of updating HMRC? If so, please provide details of any barriers and how these could be addressed within the overall approach outlined in this chapter.**

34. We agree with the approaches set out in the consultation document in relation to CFCs, companies with overseas branches where the branch exemption is in place and dual resident companies.
35. We believe that companies that are not resident in the UK and without a UK permanent establishment should not be subject to MTD requirements as a result of acquiring a UK source of property income which has been subject to UK corporation since 6 April 2020. We are concerned that such companies will not be sufficiently aware of their reporting obligations in the UK unless they have a permanent presence here.

**Question 13: Do you agree it is appropriate to align the filing dates for tax and company law purposes? If not, what difficulties do you foresee?**

36. While we appreciate HMRC's desire to reduce the administration burden on companies by reducing the number of year-end filings they need to make, we believe that there is a misapprehension on HMRC's part that the tax numbers fall straight out of the accounting results with very little work or time involved. The reality is that, with the exception of the most straightforward of companies, considerable work is required to get from the final accounting result to the tax result, especially where adjustments are required as a result of applying complex parts of the tax legislation, like the corporate interest restriction rules.
37. We believe that the result of bringing forward tax return deadlines would, in reality, bring forward the date on which final accounting numbers need to become available because there would then need to be time allowed to arrive at tax results based on these numbers. We also note the proposals in the BEIS consultation document to shorten the deadlines for Companies House accounts filings to three months after the year end for public companies

and six months after the year end for private companies. If both sets of proposals were to be introduced, a private company would need to know its results almost instantaneously in order to allow sufficient time to calculate the tax position based on these numbers and meet the new accounts and tax return filing deadlines: We do not think that this is realistic, given that such companies are likely to be working on the finalisation of statutory accounts at the same time and will have their resources extremely stretched

38. Tax filings could in theory be made earlier than at present but any reduction in the timeframe available for computation preparation risks reducing the accuracy of the return being filed, which runs contrary to HMRC's stated aim for MTD of improving accuracy and reducing the tax gap.
39. The current deadlines work well as a nine-month timescale from the end of the accounting period is a reasonable period in which to make computations on which corporation tax payments are based and then the following three months is a useful period in which returns and claims and elections can be finalised at a time when company staff will not be focussing on year end activities.

**Question 14: Do you agree that amendments to an entity's Company Tax Return should be made through MTD compatible software?**

40. We believe that HMRC should make the process of keeping digitalised records, making quarterly reports and submitting year end returns as integrated and seamless as possible to avoid duplication of effort or inaccuracies/inconsistencies creeping in. Therefore, providing a facility to allow companies to amend tax returns through MTD compatible software should be included in MTD.

**Question 15: How can MTD for CT ensure that accounts and tax computations submitted as part of a Company Tax Return, are fully and accurately tagged in iXBRL format?**

41. This question seems to imply that the requirement for iXBRL tagging is not currently being met. If this is the case, then the bigger question is why have companies not moved to fully tagged software solutions for iXBRL during the last decade? The cost of iXBRL has always been an issue for business and if the benefits have not been forthcoming, we question whether imposing yet another burden is reasonable?
42. An iXBRL tag attached to the turnover figure in the accounts merely labels that single figure for amount and what it is, but no further analysis. The four MTD reports of turnover made during the period might add up to the iXBRL labelled total, but more likely they will not because of adjustments, for example, following year-end cut off procedures. Without sight of the journals between, HMRC would learn nothing, while many more red herrings would be pursued.
43. However, the fact that an MTD report(s) had been made of a particular turnover amount(s), would indicate that an iXBRL turnover total could be expected in the profit and loss account, so that its total absence or a figure of a different magnitude could be used as a risk indicator.

**Question 16: Do you think HMRC should reject returns or charge penalties where the iXBRL tagging is incomplete or inaccurate?**

44. Before considering rejections or penalties, we would like HMRC to share more details about the usefulness or otherwise of the data given up by the cases where iXBRL has been used as it had originally hoped. Very little information has been released since the early reports, where data apparently indicated transfer pricing was used by SMEs, which had surprised HMRC, and had also helped to identify PAYE anomalies.



45. If iXBRL is not as useful, then freeing up business from that burden, before proceeding with MTD should be considered. Forcing two software requirements onto the same information streams seems an unnecessary cost.

**Question 17: What hurdles do you think would need to be overcome should HMRC want businesses to tag data at a transactional level?**

46. There are still many companies which do not use accounting software for good business reasons. These range from disproportionate cost relative to number or size of transactions, unfamiliarity with digital tools, to complexity of business requiring expensive bespoke solutions such that manual intervention is necessary. Inevitably, the digital link requirements might need to be relaxed further as the information chain grew longer and more complex.
47. This would also be a problem for digital records that are held in legacy systems that cannot be easily upgraded. Meeting the digital link requirements can be difficult for legacy systems, having to tag all the transactions in those systems is likely to be impossible. Similar considerations would apply to non-accounting systems that feed into accounting systems (eg booking systems).
48. We do not have data to indicate what proportion of businesses currently use software to apply iXBRL tags automatically. If, as we understand from anecdotal discussions with members, these are in a minority, then greater use of iXBRL accounts production software should be pursued before requiring bookkeeping software which handles iXBRL labelling.
49. We suggest HMRC might share how it makes best use of the information to which it already has access, before imposing yet more record keeping costs on business.

**Question 18: What do you think are the potential impacts of HMRC withdrawing the free filing product, known as CATO? Please provide any examples or evidence held including evidence relating to the potential impact on filing accounts with Companies House.**

50. Unless other free software is brought onto the market, there would be a cost involved in purchasing and using a paid-for software solution for those entities currently using CATO. We therefore believe that CATO should not be removed until a free software solution becomes available that fulfils the functions that CATO currently provides to its users.
51. We understand that CATO is often used by agents acting pro-bono or on a personal basis for not-for-profit organisations and clubs to submit annual accounts and tax computations. Those agents cannot use their usual filing software to act for these entities for GDPR reasons. These entities or their agents may therefore suffer unnecessary costs if a free alternative to CATO is not made available.

**Question 19: Should charities, CASCs and other not for profit organisations, be within the scope of MTD for CT where they have income within the charge to CT and required to complete a Company Tax Return? If not, please explain why you consider an alternative approach is necessary for charities and what criteria should be applied to assess eligibility for this?**

52. We believe that all charities, CASCs and other not for profit organisations that do not incur a corporation tax liability (because, for example, they have no non-primary purpose business income) should be exempt from the scope of MTD for corporation tax.
53. While charities set up as companies are technically within the charge to corporation tax, any profits they earn are exempt from tax provided those profits are used in advancing the charitable purpose for which the charity was set up. HMRC's rationale for introducing MTD for CT is to reduce the tax gap. If an organisation's profits are generally exempt from tax, it cannot be contributing to the tax gap and so should therefore not be required to enter MTD for CT on a compulsory basis.

54. In addition to this, the Government had previously decided that MTD for IT will not apply to any charitable trusts and hence to include charities set up as companies within MTD for CT would create an anomalous situation where the extent of the burden of compliance imposed on the charity sector is determined by the legal form of the charity.
55. We recognise that some charities may experience a benefit from digitalising their accounting records and so we believe that those entities should be given the opportunity to join MTD for CT on a voluntary basis. A charity should be allowed to determine for itself whether adoption of MTD would add to or reduce its administration burden (which has a corresponding impact on the amount of funds available to devote to charitable activities).
56. Where a charity has set up one or more trading subsidiaries which as a matter of routine donates all its distributable profits to its charitable parent company, we believe that those subsidiaries should also fall outside the scope of MTD for CT on the basis that those donations typically reduce its taxable profits to £nil.

***Question 20: Do you agree that MTD obligations should cease where a company is exempted from mandatory online filing of CT returns due to insolvency?***

57. Yes, we agree with this for two reasons. Firstly, it is likely that a company that is no longer required to file CT returns due to insolvency is unlikely to have any significant income and certainly no ongoing trading activity on which quarterly reports could be made. Secondly, when a company goes into insolvency, control of the company passes from the directors to the insolvency practitioner. While it is part of the practitioner's responsibility to ensure that any tax filing or payment requirements of the company are fulfilled, it seems unreasonable to require it to oversee ongoing digitalised record keeping or quarterly reports. The requirement to file tagged accounts using iXBRL falls away when a company goes into insolvency and so it seems reasonable that MTD requirements would also fall away on appointment of an insolvency practitioner. There is also a legal exemption for insolvent companies which don't have to file their Company Tax Returns online if they are subject to a winding up order, are in formal administration or in administrative receivership.

***Question 21: What timescales and costs do you consider would be involved in acquiring, updating, replacing or adapting existing software in order to be MTD compliant? Please provide details of one-off and ongoing costs and benefits you think may arise.***

58. The costs and benefits involved will vary from company to company, depending in particular on whether it already has or uses a product capable of meeting the requirements of MTD for CT.

***Question 22: Apart from software costs, what timescales and costs do you consider would be involved in making the transition to MTD for CT? Please provide details of one-off and ongoing costs and benefits you think may arise.***

59. It is worth stressing that software is not the only cost involving in transitioning to a new record keeping system. Additional equipment, staff training and ongoing additional labour costs are also like to be required to comply with the requirements of MTD for CT on an ongoing basis.

## APPENDIX

### ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory:** tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. **Certain:** in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. **Simple:** the tax rules should aim to be simple, understandable and clear in their objectives.
4. **Easy to collect and to calculate:** a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. **Properly targeted:** when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. **Constant:** Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. **Subject to proper consultation:** other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. **Regularly reviewed:** the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. **Fair and reasonable:** the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. **Competitive:** tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).