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TAX FACULTY



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MTD for corporation tax

13 January 2021

PRESENTED BY:
ANITA MONTEITH

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Presenters



Today's speaker
Anita Monteith
Technical Lead
ICAEW Tax Faculty

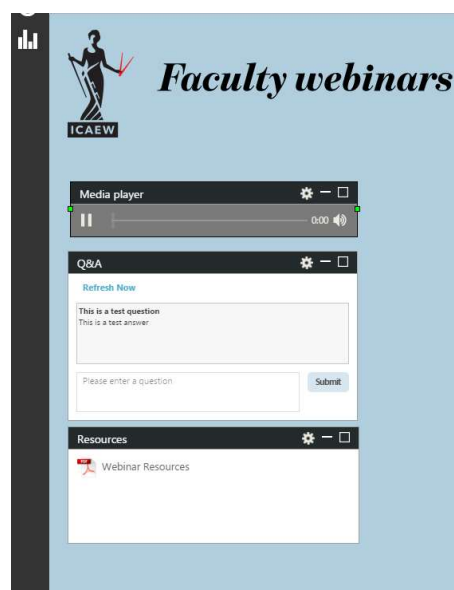


Today's speaker
Caroline Miskin
Practitioner Tax Manager
ICAEW Tax Faculty

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Purpose of today's webinar

It seems a long way off but...

- To set out the key proposals in Making Tax Digital: Corporation Tax
- To gather your views to inform ICAEW's consultation response
- To encourage you to respond directly to HMRC
makingtaxdigital.consultations@hmrc.gov.uk

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Building a trusted, modern tax administration system

- The vision
 - Better experience for taxpayers
 - Reduction of the tax gap
 - Wider productivity and efficiency benefits
 - Greater resilience and responsiveness
- 10 year strategy with incremental reform
- Short/medium term projects
 - Progressive extension of MTD
 - Timing and frequency of payment
 - Reform of the administration framework

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MTD for CT - The timeline

MTD: Corporation Tax

- Published 12 November 2020, closing date for comment 5 March 2021
- Pilot expected from 2024
- Implementation not before 2026

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Key elements of design are familiar

- Digital records maintained at transaction level
- Summary information submitted quarterly to HMRC
- Updates and annual return submitted via API enabled software
- API enabled software digitally linked back to other software

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Detailed design questions cover

- Who is in scope
- What records need to be maintained digitally
 - Minimum dataset and categorisation
- Quarterly updates
 - Groups, large companies and multinationals
- Annual filing
 - Interaction with iXBRL, Company Law
- Costs

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Population affected

- MTD for CT would apply to all entities within the charge to corporation tax. Includes
 - Charities
 - CASCs
 - Other not for profit organisations
- MTD for CT applies to insolvent entities unless current exemption from mandatory online filing would apply
- Digitally excluded
- Some modifications in design requirements for very large companies within QIPs regime

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The CT population

2.8m companies within scope of UKCT

1.1m with turnover above VAT threshold already MTDV compliant from **2019**

1.7m with turnover below VAT threshold £85,000

Those not VAT registered must be MTD for CT compliant from **2026** (earliest)

Very large companies paying QIPs will be exempt from 1/4ly reporting aspect of MTD

Other companies

Those VAT registered must be MTDV compliant from April **2022** (latest)

Likely reliance on spreadsheet solution for now?

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Requirements 1

- To maintain records digitally
- Capture transactions in as close to real time as possible
- Use compatible software (defined as for MTDV and MTD for ITSA)
- Minimum data for each transaction
 - Date
 - Amount
 - Category
- Standard categories of income and expenditure
 - For smaller entities the plan is to use categories similar to ITSA

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Requirements 2

- Corrections to be made when the entity becomes aware of the error (so when the next update is made/CT return is filed)
- Digital record keeping for non-financial data
 - Property addresses
 - SIC codes (Standard industry classification)
 - Group structure
- Groups – may want to maintain digital records on a group basis

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The quarterly update

- Generally quarterly
 - May need a final one to conclude an accounting period
Eg 10 month period of accounts 1.3.20X0 to 31.12.X0
3m, 3m, 3m, **1m**
 - Or, could instead start the next accounting period with a period split into two
3m, 3m, 3m, **3m (then split 1:2)**
- Group submission?
- Accounting and tax adjustments to be optional in quarterly submissions
- Tax incentives, allowances and reliefs to be claimed with the CT return submission
 - Optional facility to include an indicative effect of these in an earlier quarterly update
 - Replace with a more integrated system for these in time
 - Similar system for elections, subject to existing constraints
- Submission due one month after each quarter end

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Poll Q1

Do you agree that the updates should be due one month after each quarter end?

Yes

No

Not sure

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Exemption for very large companies making QIPs

- Companies with profits at an annual rate in excess of £20m
 - Enhanced levels of tax assurance; CCM and Business Risk Reviews
 - Pay tax earlier
- Required
 - Digital record keeping
 - Year end submission using MTD compatible software
- Not required
 - Quarterly reports
- MTD status will be for an entire
 - accounting period
 - Group (51%)

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The annual CT return?

- Alignment of filing and payment deadlines?
 - C Tax return filing date **12** months
 - CT payment 9 months and 1 day
 - Accounts to Companies House filing date 9 months (unlisted cos)
- Alignment with deadlines for other tax adjustments
 - Eg remuneration paid, repayment of loans to participators
- BEIS consultation expected shortly on proposals to improve quality of accounts information held at Co House through harmonising filing standards and processes

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Poll Q2

- Would alignment of CT return filing date and CT payment date be seriously problematic for

yes no

Small companies

Medium sized companies

Large companies

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Other considerations

- CATO?
 - Likely to be withdrawn
- Non financial information
- Claims and elections
- Amendments
 - Will need to be made using MTD compatible software

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Poll Q3

Do you agree that the CATO service should be retired once the MTD for CT software products are widely available?

Yes

No

Not sure

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MTD for CT and inline extensible business reporting language requirements

- Current submissions (post 2011)
 - CT600 using HTML
 - Accounts using iXBRL
 - CT computation using iXBRL
- Companies House requires Accounts using iXBRL
- iXBRL tagging is to be integrated into MTD compatible software
 - There is no current plan to tag transactional level data

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Poll Q4

How are iXBRL tags currently applied to your clients' financial statements and computations? (Tick all that apply)

- Fully automated by software
- Partially automated but with manual intervention after checking
- Manually

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Issues for practices

- CT filing software will need to be upgraded or replaced
 - Link back to client/agent digital record keeping system
- Most clients will be complying with MTD for VAT from April 2022
 - How will the record keeping and submission requirements for VAT and CT fit together
 - Digital record keeping
 - One software package
 - Quarterly updates for different taxes – align?
- Quarterly updates to be filed by client or agent?

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Key concerns?

- Costs – digital record keeping and quarterly updates
- Digital links – especially to legacy/bespoke systems
- Alignment of different obligations
- Choosing software

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How to respond

- To ICAEW

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corporation tax

caroline.miskin@icaew.com

practitioner tax

- To HMRC

<https://www.gov.uk/government/consultations/making-tax-digital-for-corporation-tax>

Consultation closes 11:45pm on Friday 5 March 2021

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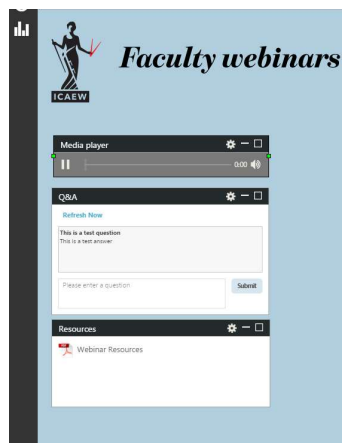
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*Any
questions?*

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Ask a question or download resources



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Future webinars

• Tax Faculty webinars

- 19 January – The UK and DAC 6 post-Brexit – where do we go from here?
- 2 February – Hardman Lecture
- 3 February – CIS VAT reverse charge
- 11 February – MTD for Income Tax Self Assessment
- 15 February – IR35 and employee status
- 23 February 2021 – Getting Research and Development Claims right

For further details visit www.icaew.com/taxfacevents

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Thank you for attending



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