



Making Tax Digital: Myth-Buster

At the March 2015 Budget we committed to transforming the tax system, delivering a system that is more effective, more efficient and easier for taxpayers.

Digital tax accounts mean the end of the annual tax return and over the next four years we will create the most digitally advanced tax system in the world.

Myth: businesses will need to do four tax returns a year

No. Businesses will **not** need to file four tax returns a year.

The new digital accounts will integrate all the different information businesses already provide to HMRC into a simple, streamlined system. Instead of one big, onerous tax return each year once a quarter businesses can check that the information they are collecting digitally is correct, and simply click "send" to update HMRC.

Myth: This does not consider those who are digitally excluded

- There is no question of forcing those who cannot go digital to do so. Help will be available for businesses who struggle to use digital tools.
- People who genuinely can't use digital tools will be offered alternatives, like nominating someone else to update their information for them, or giving information by phone.

Myth: Businesses will need to keep extra records and the digitisation will cost a fortune

- No additional records are needed for increased digitisation. These changes will contribute to our target to reduce business burdens by £400m.
- For those who aren't already keeping records digitally, there will be free software and clear, simple advice on how it can be used.

Myth: Businesses don't want to do tax digitally

- Millions of firms already manage their tax online. 99% of VAT returns are done online, 98% of Corporation Tax and 86% of Self-Assessment returns are done online.
- Many taxpayers want more certainty over their tax bill and access to an in-year picture of their tax position, which their new digital accounts will provide.

Myth: The new plans will increase errors and hinder compliance

- Not true. The scope for error will be greatly reduced - meaning fewer businesses face the shock of a bigger tax bill than they expected at the end of the year.
- Annually £6.5bn is lost through error. These reforms will improve the quality of record keeping and reduce mistakes.