Making Tax Digital for Income Tax Self Assessment:
The software developer impact and implications for the UK

August 2023

BASDA

The Voice of UK Business Software

BASDA

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Contents

1 Executive summary

> *"If anyone is thinking of starting or investing in an innovation or technology-centred business, I want them to do it here [in the UK] …*
>
> *And if you do, we will put at your service not just British ingenuity - but … a British government that will back you to the hilt."*
>
> Jeremy Hunt, UK Chancellor of the Exchequer, January 2023
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> **80% of software developers disagree that MTD ITSA enhances the reputation of the UK as a place to create and innovate software**
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> Software developers including some of the world's biggest accounting software businesses and recognised tax technology entrepreneurs, May 2023

In March 2015, Chancellor George Osborne declared the end of the tax return, with the government launching a clear and ambitious agenda to streamline how tax works. For individuals it became known as 'Making Tax Digital for Income Tax Self Assessment' (MTD ITSA).

Six months later, HMRC published its third party tax software and application programming interface (API) strategy.[1] Stimulated by work by BASDA towards a digital approach to tax, this was intended to see HMRC "promoting a 'third-party software first' approach for businesses and agents, giving greater access to APIs, sharing rules and logic, publishing performance figures and building richer APIs that enable third party products to work seamlessly with HMRC systems."[2]

Global accounting and tax software houses stepped up to the MTD challenge, deploying resources to support their UK operations.

Challenging them and disrupting the market, new software businesses were set up by ambitious, visionary and knowledgeable British entrepreneurs, tax specialists and software engineers, to deliver the government's promise (and encouragement) of "new and innovative services." On the back of the associated technology change, others rose up to propose "a wide range of services to support small businesses and their productivity."

Developers served as a force multiplier, promoting and advocating the change that was coming.

HMRC reinforced the benefit of being at the forefront, to "influence the design of the service" and to be "ready for the millions of customers that will need MTD-compatible software." And at this point they would be able to generate revenue.

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[1] https://www.gov.uk/government/publications/hmrc-third-party-tax-software-and-api-strategy
[2] https://www.gov.uk/government/news/hmrc-launches-ambitious-api-strategy

In anticipation, developers funded this themselves to help HMRC get this right. The total cost to the software industry of MTD ITSA alone has been in excess of £110m.

In March 2020, HMRC said "the end-to-end MTD Income Tax service works in a live setting."

But those involved in the pilot were getting errors. They had no idea that other developers were experiencing the same problems and expressing the same frustrations.

Key policy and architectural issues did not seem to be being addressed. Developers warned of the risks of HMRC setting unrealistic expectations about pricing and especially that free software would be available.

There was no evident benefit of being an early supporter of the pilot – it turned out that the pioneers were paying the price and reported feeling ignored when they raised issues. They reported that they felt that they were providing free consulting services to HMRC.

Amid concerns amongst those involved and meetings with up to 100 people, HMRC assured developers they were listening, that everyone was working together and things were on track.

And then late in December 2022, the government announced a delay. To 2026 for the first group. But for most of the MTD ITSA audience, to 2028 at the earliest. And possibly never – this is still the subject of a review.[3]

And confidence evaporated.

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*[**MTD] "is driving up innovation."***

HMRC's 10-year strategy, "Building a trusted, modern tax administration system", July 2020

Only 20% of software developers agree that MTD ITSA has led directly to innovation

Software developers including some of the world's biggest accounting software businesses and recognised tax technology entrepreneurs, May 2023

Large and established developers have suffered direct and opportunity costs and personal career damage for those who'd been backed by their investors or organisations in dedicating resource to MTD ITSA.

For ambitious entrepreneurial developers building their business plans around MTD ITSA, it has been catastrophic and existential.

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[3] https://www.gov.uk/government/news/government-announces-phased-mandation-of-making-tax-digital-for-itsa

More than six months on from the delay, and despite language around co-creation and requests from BASDA and developers, HMRC has chosen not to do a collaborative review of lessons learned or to map out a common route forward that works for critical – and trusted – partners.

HMRC has said that they have changed and that the programme is now in shape to deliver on its objectives. To the extent this relies on software, we disagree. The software industry's core concerns – hitherto voiced privately - have not been addressed.

Developers are choosing to withdraw from engagement with both MTD ITSA and wider HMRC activities.

The potential to catalyse a taxtech cluster in the UK is being eroded. The country's reputation is being damaged.

Representatives of the software industry are the strongest advocates for the tax system to be more digital. We want to work with HMRC. But it needs to be in a way that works for everyone involved.

![BASDA - The Voice of UK Business Software]

2 Foreword

2.1 Introduction

This report summarises the role of the software industry in supporting HMRC's Making Tax Digital for Income Tax Self Assessment (MTD ITSA) initiative, and the impact of delays, specifically the December 2022 announcement of the phased introduction and descoping of MTD ITSA.

It reflects the experience of both established software businesses (including some of the world's largest accounting and tax software suppliers), and innovative developers at the forefront of tax technology.

In total 18 software companies took part in this review, a sizeable portion of the market as 30 products were listed as in development or live with HMRC for MTD ITSA as at 30 May 2023.[4] They include software aimed at taxpayers, and for their agents - accountants, tax advisers and bookkeepers.

The review took place in May and early June 2023, before the publication of a National Audit Office (NAO) report into wider MTD delivery on 12 June 2023.[5]

2.2 Summary

This is an unprecedented report for BASDA. It is the first time that we have brought together so many software houses – members and non-members, multinationals and smaller innovative companies – to understand the impact of a government programme.

As an industry, and BASDA specifically, we come from a position of tirelessly trying to support HMRC and have a strong track record in contributing proposals to improve the tax system for both businesses and HMRC. A fundamental enabler to this was BASDA's work with HMRC in developing the API strategy to enable powerful, consistent, and adaptable interchange of information between HMRC's systems and commercial software.

Third party software houses – generally referred to as 'developers' in HMRC initiatives and in this report- want digitisation to succeed, knowing how it can help businesses to run effectively and with confidence. This ambition has been backed by commitment – the software industry has spent resources and money to support Making Tax Digital since its inception over eight years ago.[6] Not just in testing but in making suggestions aimed at a better overall experience, with lower costs and reduced administration.

The software industry has been paid nothing for their time or costs. This applies equally to large multinationals and to smaller highly skilled and fast-moving developers being encouraged to build innovative products aligned to HMRC's stated vision. Developers have no contract with HMRC,

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[4] https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax
[5] https://www.nao.org.uk/wp-content/uploads/2023/06/progress-with-making-tax-digital.pdf
[6] https://www.gov.uk/government/publications/making-tax-easier provided the starting point for this as part of the March 2015 Budget

and taxpayers and agents quite reasonably won't pay for a service until they're able to use it. Which means 2026 at the earliest.

We have tried hard to convince HMRC of the need for a collaborative review involving all stakeholders. BASDA regrets that we did not manage to secure such a review. For that reason, we felt we had no choice but to pursue a standalone course to give software developers the opportunity to share their experience as a standalone group.

Trust in HMRC as a partner needs to be rebuilt. Software developers want this to be genuine, deep-rooted and to work for all parties. This will be good for taxpayers – they run their business and submit to HMRC via the software that these developers build.

Software developed for MTD ITSA will be old by the time of the earliest mandation. Meanwhile vendors are saying that digital innovation is happening faster outside the UK. This means that the delay to MTD ITSA has consequences for the technology sector and the country's technology reputation as a whole.

There will be a temptation to suggest that MTD ITSA is an idea whose time has gone. But many of the principles are still good and developers don't walk in HMRC, Treasury or ministerial shoes.

BASDA knew and expected that this review would identify commercial impacts and testing frustrations. What was a surprise was the scale of these, the extent to which people referred to the effect on their mental health, and what it meant for their jobs, their businesses, their families and their futures. This demonstrates that their commitment was not just financial, but emotional and deeply personal as well.

Government and software do though need to work together. In an era of APIs and integrations, no one party is responsible for the whole end to end journey. The software industry genuinely wants to work closely with HMRC to deliver a better tax system - quickly, collaboratively, and cost-effectively.

2.3   Why software matters

Better software means more efficient business, more accurate record-keeping, the right amount of tax being paid with fewer surprises, and lower costs for HMRC.

HMRC noted the reliance on external software, in 2015 identifying that "three quarters of [digital transactions with HMRC] are completed … using a third party product." While HMRC has not released updated figures, at the time this amounted to three quarters of a billion transactions a year, supporting £350bn of exchequer funds.[7]

HMRC has explicitly said that it wants to "promote a 'third party software first' approach for businesses and agents" and to "help make third party software more attractive for customers and reduce the dependency on HMRC products and support."

Software is a force multiplier for HMRC and other government programmes – it literally puts government policy into the hands of taxpayers.

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[7] https://www.gov.uk/government/publications/hmrc-third-party-tax-software-and-api-strategy/hmrc-third-party-tax-software-and-application-programming-interface-api-strategy

Internally at HMRC, the importance of software to the programme was not universally understood. There is a need for genuine shared understanding.

The impact has been seen in Real Time Information (RTI) filing, a new way of reporting PAYE income via software introduced in 2013. HMRC reported savings of £620m to the Exchequer in the first three years, plus a one-off cash-flow benefit of £813m amongst other benefits.[8] Developers have commented that lessons that could have been learned from RTI have not been applied to MTD.

Software is not just about reporting to HMRC. It is fundamental to how businesses run and links the business with other services and tools, whether that is HMRC, their advisers, expense and business planning tools, and their bank accounts.[9] In 2021, HMRC cited the Enterprise Research Centre that for micro-businesses, web-based accounting software could improve efficiency by 11.8%.[10]

In this context, it's worth noting that most developers who took part in this review were developing broad solutions – whether embedded in a vertical-focused offering (for instance a landlord management tool), as a full tax solution, and in offering support for agents.[11]

2.4   All developers have been affected – but in different ways

The report identifies that the delay to MTD ITSA has been felt across the tax software industry, but not necessarily equally.

For established software developers, including some of the largest accounting software businesses in the world, it is a combination of opportunity cost and prioritisation. Some are now focusing their efforts on other digital initiatives including those outside the UK – noting that this could have an impact on the UK's global reputation.

For smaller software developers led by tax technology entrepreneurs and software engineers, especially those that had expressly been set up to provide innovative experiences for Making Tax Digital and had most fully embraced HMRC and ministerial ambitions, the impact has been catastrophic. It's been a double whammy. These are the developers who not only have been most exposed to MTD ITSA, but who have given the most to support HMRC in the pilot and put their money and resources into testing HMRC systems.

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[8] Post Implementation Review report - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664971/Real_Time_Information_programme_-_post_implementation_review_report.pdf
[9] The Open Banking Implementation Entity June 2022 Impact Report highlighted that 72% of businesses saw the ability to connect a bank account as an important feature of their software. https://www.openbanking.org.uk/insights/how-small-businesses-are-benefiting-from-open-banking-driven-cloud-accountancy/
[10] https://www.gov.uk/government/publications/customer-costs-and-benefits-for-the-next-phases-of-making-tax-digital/customer-costs-and-benefits-for-the-next-phases-of-making-tax-digital
[11] See 3.4 Developer profile

2.5 It is essential to work together

MTD ITSA has been highly time consuming and expensive for developers, for HMRC and for other stakeholders, with lots of duplication and limited noticeable impact. More than six months after the delay was announced, fundamental issues remain.

They include key design problems, recognising that developers need a commercial basis to engage (and to survive), testing issues, apparent overcomplication, communications and a framework that makes it hard for HMRC to work closely with the software industry.

Those who care about MTD and the tax system more widely will appreciate that if this report helps to bring them to the fore, then this will lead to a better outcome in the end.

As the review demonstrates, developers could see that MTD ITSA was missing its targets and desperately tried to raise the alarm for some time – all without apparent success. Since then millions of pounds have been wasted amongst developers – without even contemplating the impact on the public purse.

2.6 What next?

This report sets out to document for the first time the experience of developers working with HMRC on MTD ITSA. Understanding this will help future engagements.

At the heart of this report is how much the tax system relies on close cooperation and understanding between everyone involved. Every party needs to be in a position to succeed in their role. The model adopted for MTD has not met this simple goal.

We seek that HMRC acknowledges the impact of their approach on software developers, which each in their own way continue to carry the risk, cost and burden of HMRC processes and delays.

We appreciate strong ministerial recognition of the crucial role technology innovators play in British business. Harnessing this fairly will be to the benefit of the tax system and to society.

2.7 About BASDA

BASDA is the UK business software trade body, whose key (but not exclusive) role is ensuring that the voice of the UK business software industry is heard at some of the highest levels within UK government, policymakers, and industry media – to its members benefits and all stakeholders.

Membership[12] is across the software developer base – and includes large international developers, established smaller and midsized software companies, and newer entrants. Crucially, BASDA's members, in totality, serve the varied types, sizes, and other dimensions of individual and business taxpayers and their tax agents. These agents include bookkeepers, accountants and tax specialists that take on record keeping and tax management for their clients.

BASDA is a not-for-profit company and is financed exclusively via an annual membership fee according to the size of the business.

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[12] BASDA membership is listed here https://www.basda.org/members/

BASDA acknowledges that for developers who have already spent money building for MTD ITSA, even a modest membership fee is a further cost. Accordingly in writing this report we are particularly aware of our responsibility to those developers that HMRC has encouraged to affiliate with BASDA as the software industry representative in the MTD programme.

Kevin Hart
BASDA CEO & Executive Chairperson

3 The review

3.1 Background to the review

Since a notable escalation of issues by BASDA back in August 2022, BASDA has strongly encouraged HMRC to undertake a lessons learned review involving all key stakeholders and this was further heightened in requests following the December 2022 announcement of a delay in MTD ITSA.

Other stakeholders have expressed similar concerns, including the CIOT and ATT, which noted that "benefits might have begun to flow more quickly if the Government had consulted earlier and worked more closely in partnership with stakeholders. It's not too late to consult widely on how the government's objectives can be achieved."[13]

Developers are disappointed that HMRC have not undertaken such an open review.

This matters. As the Financial Secretary to the Treasury highlighted in announcing the delay "it is important to ensure this works for everyone: taxpayers, tax agents, software developers, as well as HMRC."[14]

Hearing the concerns of our members and seeing the impact on other developers who were not our members, BASDA felt that it had no option, but to instigate such a review.

No distinction was made between BASDA members and BASDA non-members – opportunities to take part were publicised online and BASDA also sought to reach out to developers listed on the HMRC site, or who had otherwise been known to be involved or interested in MTD ITSA.

We deliberately did not create a list of every developer's priorities. Instead, the document sets out common themes for deeper understanding and action.

Where there are charts included, they reflect a minimum of 15 respondents unless otherwise indicated.

BASDA thanks all the developers who took part for their contributions and time – we do not take it for granted.

3.2 Themes of impact

The report looks at the impact on three levels:

- The wider impact including the reputation of the UK
- Business impact on developers
- The career impact for those involved.

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[13] https://www.tax.org.uk/making-tax-digital-deferral-makes-tax-disappear
[14] https://www.gov.uk/government/news/government-announces-phased-mandation-of-making-tax-digital-for-itsa

3.3 Competition law framework

Developers operate within a competition law framework, which means that commercially sensitive information cannot be discussed. Consequently, this report focuses on key themes which multiple developers have raised, which are longstanding, which remain, and which could seriously affect not just MTD ITSA but the confidence in HMRC, and the UK's reputation for the long term. Developer feedback was anonymised before being included in this report, which is why quotes are not identified. It also limited cross tabulation between survey questions.

3.4 Developer profile

The developers who contributed to the review are experienced and generally longstanding supporters of the MTD programme, with over a quarter having been involved since 2015:
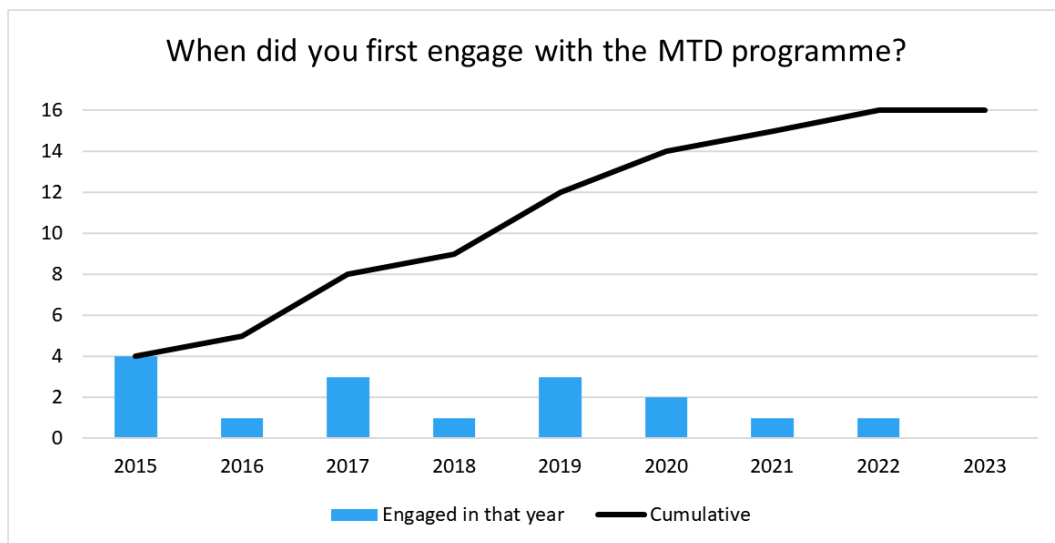
The review identified the following types of developer. We note three distinct groups – larger established developers, smaller established developers, and new entrants with MTD a reason for them setting up. **Nearly a third of developers were focused on the sub £30k market**:

Which of the following apply to your organisation (multiple selections possible)?

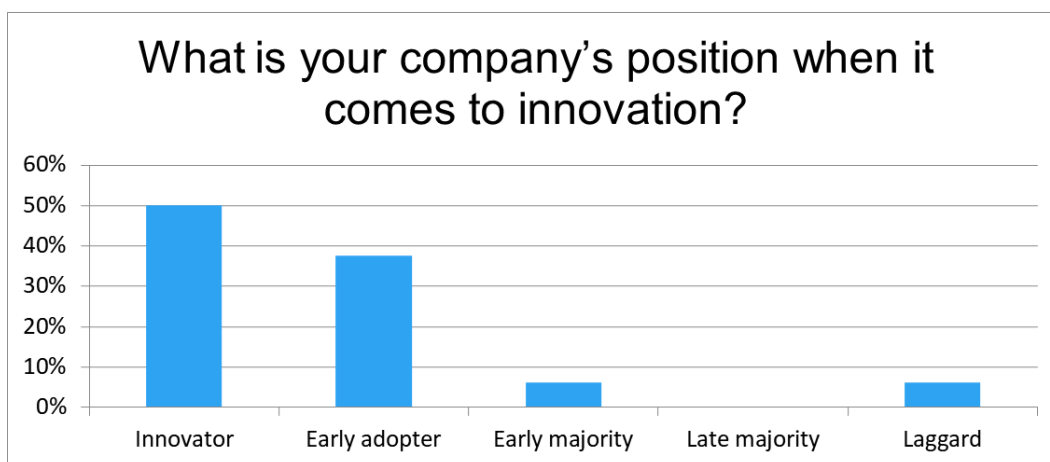| Category	Value
Large, established developer	6
Smaller, established developer	6
Developer established since 2018 or thereabouts - with MTD a key reason for establishing the business	5
Developer established since 2018 or thereabouts - with MTD not a key reason for establishing the business	0
Tax specialists	7
Accounting specialists	6
Non tax or accounting specialists eg general or vertical-focused fintechs seeing the MTD opportunity	2
Building for larger businesses (more than 50% of projected users with turnover > £30k)	4
Building for smaller businesses (more than 50% of projected users with turnover ≤ £30k)	5

We note that MTD has been a key reason for newer software businesses to be set up and that MTD has attracted non-accounting and non-tax specialists to offer software.

Not surprisingly, these developers are innovators – and therefore particularly vulnerable to delays. To take early mover advantage, they were also more likely to commit scarce resources in response to HMRC's assurances about the timetable being fixed after the previous delays:

What is your company's position when it comes to innovation?

Position	Value
Innovator	50%
Early adopter	38%
Early majority	6%
Late majority	0%
Laggard	6%

3.5 Product profile

Developers saw MTD ITSA as a new product:

To what extent did you see MTD ITSA as a new product?
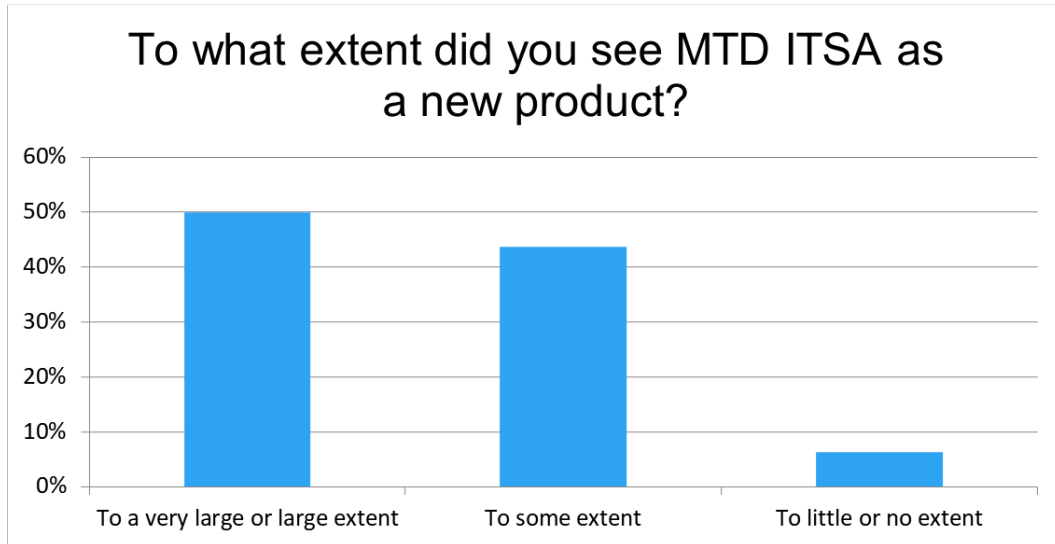
Developers were embracing the innovation invitation:

In relation to your income tax filing software, which of the following apply (multiple seletions possible)?
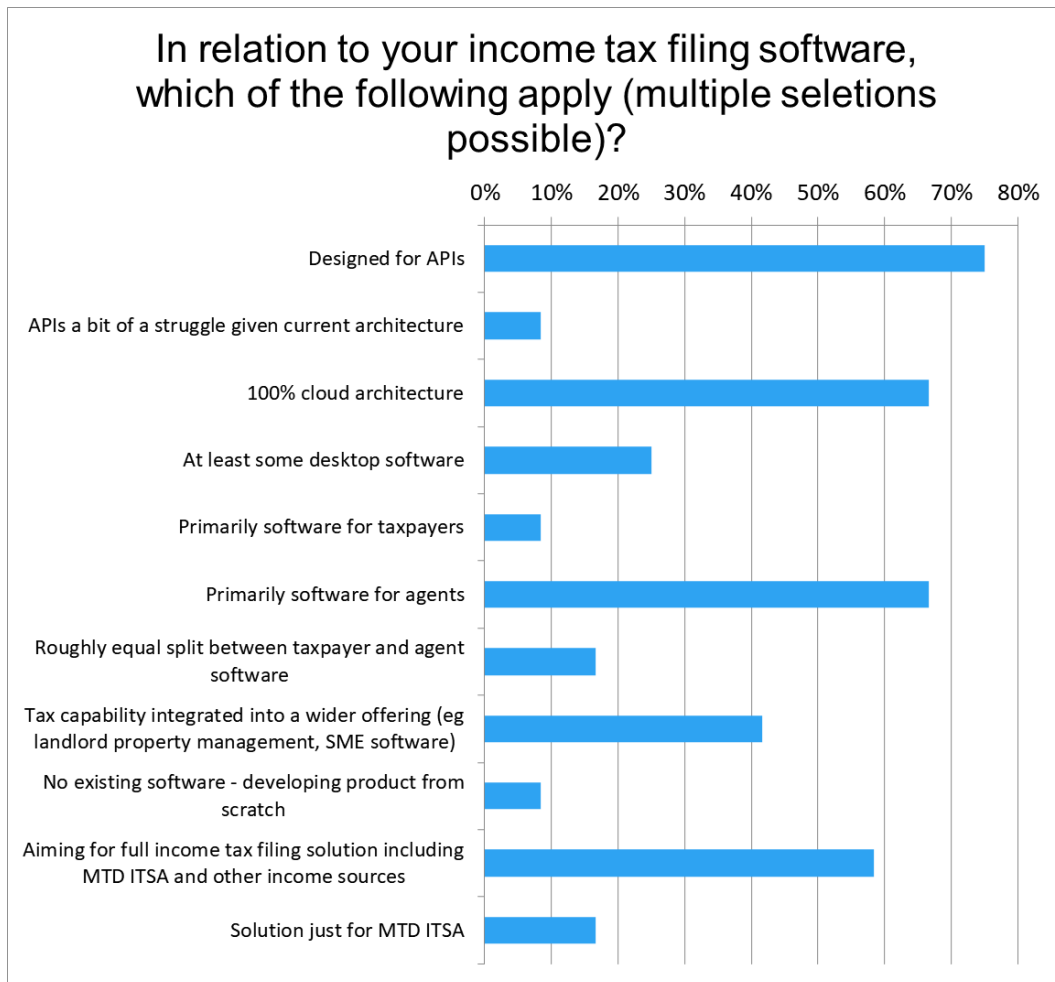
n=12; a technical issue meant that some respondents could not answer this question

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40% of respondents reported that they wanted to include tax capability as part of a wider offering such as landlord property management or SME software. And nearly 60% saw it as part of a broader tax product.

Three quarters of surveyed developers have an architecture designed for APIs and over six in ten were 100% cloud.

4 Making Tax Digital and outline timeline

4.1 The MTD ITSA timeline

Making Tax Digital has its origins in the March 2015 Budget heralding the end of the tax return with the vision that "by 2020, businesses will be able to manage their taxes together as part of their day-to-day running, rather than something to be done separately. Their accounting software will be able to feed data straight into their digital tax account …"[15]

While the initial intention was that income tax would form the first phase, ultimately MTD VAT was rolled out first. It was largely successful and relatively easy – most VAT registered businesses were already filing quarterly returns digitally and with very limited exceptions had been legally mandated to so since April 2012. MTD VAT was essentially a migration from one digital method to another.

MTD ITSA is much more complex and has been subject to multiple postponements, which the ICAEW has summarised as follows:[16]

- Under the original proposals the start date for MTD ITSA was April 2018.[17]
- In July 2017 the start date was deferred to "not before 2020."
- In March 2019 the start date was deferred to "not before 2021."
- In July 2020 the start date was deferred to April 2023.
- In September 2021 the start date was deferred to April 2024.
- In December 2022 that start date was deferred to April 2026 for everyone and later for some taxpayers.

In more detail, this is the moving timetable that developers have had to work to:

Announcement made	Mandation start	Mandation income threshold	Mandation population
July 2020	April 2023	£10,000	Up to 4m[18]
September 2021	April 2024	£10,000	4.2m[19]
December 2022	April 2026	£50,000	700,000[20]
	April 2027	£30,000	900,000
	April 2028 at the earliest	£30,000 or less	Not specified, but 2.6m+

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[15] https://www.gov.uk/government/publications/making-tax-easier

[16] https://www.icaew.com/insights/tax-news/2022/dec-2022/fifth-deferral-of-mtd-itsa-an-opportunity-to-get-it-right-says-icaew

[17] https://www.gov.uk/government/publications/digital-reporting-and-record-keeping-for-business-income-tax/making-tax-digital-for-business

[18] https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system

[19] https://www.gov.uk/government/publications/extension-of-making-tax-digital-for-income-tax-self-assessment-to-businesses-and-landlords/extension-of-making-tax-digital-for-income-tax-self-assessment-to-businesses-and-landlords

[20] https://www.icaew.com/insights/tax-news/2022/dec-2022/fifth-deferral-of-mtd-itsa-an-opportunity-to-get-it-right-says-icaew as reported

After the September 2021 announcement of a 12-month delay to April 2024,[21] developers voiced private concerns about the effectiveness of HMRC's way of working but continued to support it publicly including through the Digital Implementation Forums (DIFs) which involved up to 100 people in a series of twenty or so multi hour meetings during the summer of 2022.

4.2   The pilot

MTD ITSA is being tested through a pilot of live taxpayers – self-employed and those with property income.

This is essential to the programme. HMRC does not have a reliable way to test MTD or other capability without the use of live taxpayer volunteers.

There have been various stop-starts to the pilot since 2017. Eligibility was interrupted during COVID as the new back-end systems for Making Tax Digital could not accommodate the SEISS support grant.

HMRC has generally not published pilot participation levels.

However, a Freedom of Information request by an agent, Saffery Champness, in January 2022 identified that only nine taxpayers were participating at that time.[22] This had risen to 15 by the time the pilot closed.[23]

It has been reported that this had risen to 137 by the time the pilot was paused at the end of the year.[24]

4.3   Software and the relationship with HMRC

4.3.1   Software recognition

HMRC has adopted a model of 'recognising' software for MTD. HMRC expressly does not 'approve' software. There is no requirement for a developer to have specific tax or technical knowledge.

To be recognised, software needs to be able to meet certain requirements in terms of submission and functionality. HMRC distinguishes between digital record keeping software, and bridging software which integrates with existing software to submit to HMRC.

Recognised software may also be listed on HMRC's software choices page. As of 30 May 2023, 19 developers were listed as in development for MTD ITSA, and 11 were listed as available now.[25] This excludes developers who are in stealth or who have been removed from the list following the delay.

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[21] https://questions-statements.parliament.uk/written-statements/detail/2021-09-23/hcws308
[22] https://www.saffery.com/insights/news/mtd-income-tax-pilot-attracts-just-over-1000-volunteers/
[23] https://www.nao.org.uk/wp-content/uploads/2023/06/progress-with-making-tax-digital.pdf
[24] https://www.accountingweb.co.uk/tech/tech-pulse/mtd-itsa-pilot-access-paused-for-newcomers
[25] https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax

Approximately 1,000 vendors are recognised for MTD VAT, with about half of these listed on HMRC's website as a software choice.[26]

The large number of approved developers is both complex for HMRC to manage and makes it hard for developers to stand out – "it's about marketing more than great product" as one developer noted. The June 2023 NAO report noted that approximately half of MTD VAT software products don't have basic features and that 34 out of 554 developers did not open a working webpage.[27]

4.3.2   Technical access

HMRC has been unable to offer a full testing environment that would be expected of a project of this nature. This severely curtails software vendors' ability to test their products while they are in development – which is one of the themes of the review.

It means that much of the testing needed to be done in the live environment, using live taxpayer data. Developers reported that this was unsatisfactory in many ways – including that software permission did not extend to being able to work with HMRC to resolve any issues, and that when developers wanted to test certain capability, HMRC did not have flexibility to onboard pilot participants who met the specific profiles being tested.

4.3.3   Governance

Despite reliance on software to deliver MTD, developers have not historically been formally represented in the programme governance.

Engagement is through Digital Relationship Managers (DRMs) at HMRC, which are part of the Chief Digital Information Office (CDIO) and sit outside the MTD team.

At points, developers have been invited to take part in forums including the Software Advisory Group (SAG) and the Digital Implementation Forum (DIF).

Following the December 2022 delay, Kevin Hart, CEO & Executive Chairperson of BASDA, joined the project board and is accompanied by a rotating developer representative. Confidentiality means that information is not shared with developers.

4.3.4   Commercial terms

Vendors do not pay HMRC to be recognised and HMRC does not pay developers.

Vendors choose whether to charge for their software.

Meanwhile, ministers and HMRC have set clear expectations that there would be software available for free to self-employment or property businesses with zero employees and with

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[26] https://www.tax.service.gov.uk/making-tax-digital-software - 555 listed at 30 May 2023; the availability of unlisted products is based on informal discussions with HMRC

[27] https://www.nao.org.uk/wp-content/uploads/2023/06/progress-with-making-tax-digital.pdf

turnover under £85,000.[28] This is not a niche group. Based upon this initial threshold, it could amount to 3 million people including some of the hardest to serve and support.

Developers have said that this expectation is a high-risk strategy, jeopardising a secure and robust service. While not the subject of this report, BASDA and others continue to question the viability of this policy, highlighting the risks of business models that may be needed to support free products and the implications to the tax system.

4.3.5 Free software options

Notwithstanding these concerns, pilot software options included free products. Even vendors that did not publicise a free option typically provided their software and support at no charge to taxpayers and agents that wanted to be in the pilot.

4.3.6 Recruitment and software appointment

Taxpayers authorise MTD software to submit data for them. However, this does not extend to permission to discuss submissions or to resolve issues with HMRC.

MTD ITSA pilot participants were largely recruited by the software vendors themselves.

4.3.7 Consequences for the pilot

The same criteria for software recognition have applied during the pilot. This has had several consequences which this document identifies.

The big issues included:

- HMRC had no mechanism to work closely with a small number of developers
- There was no HMRC funding for developer, agent, or taxpayer participation in the pilot. Instead HMRC reinforced the benefit of being at the forefront, allowing developers to "influence the design of the service" and ensuring their product would be "ready for the millions of customers that will need MTD-compatible software."[29] The feeling of providing free consultancy to HMRC remains
- Developers reported that that HMRC couldn't discuss specific issues because no authorisation was in place. But HMRC systems did not support a fuller authorisation
- At times HMRC noted that design considerations were made – especially around security – as they would need to support all developers who met the requirements, including developers that they would not necessarily feel were good for taxpayers

"Each time we reported a bug, HMRC acted as if we were the first to report it and the only ones affected. But when we met other developers, we realised we were all getting the same errors and the same message from HMRC."

[28] https://developer.service.hmrc.gov.uk/guides/income-tax-mtd-end-to-end-service-guide/#software-choices
[29] https://developer.service.hmrc.gov.uk/guides/income-tax-mtd-end-to-end-service-guide/#software-provider-overview

5 Wider impact

While there are specific issues related to MTD ITSA as set out in this report, the widest impact concerns are regarding the tech reputation and of the UK, and the risks to future relationships between HMRC, Government and the software industry.

5.1 The UK's position in the world

The difficulty of digitalisation of tax systems is not a UK-specific issue. However, as this report sets out, the experience of MTD ITSA has not helped the UK's reputation in terms of a place to create software. Developers referred to other jurisdictions being more advanced:
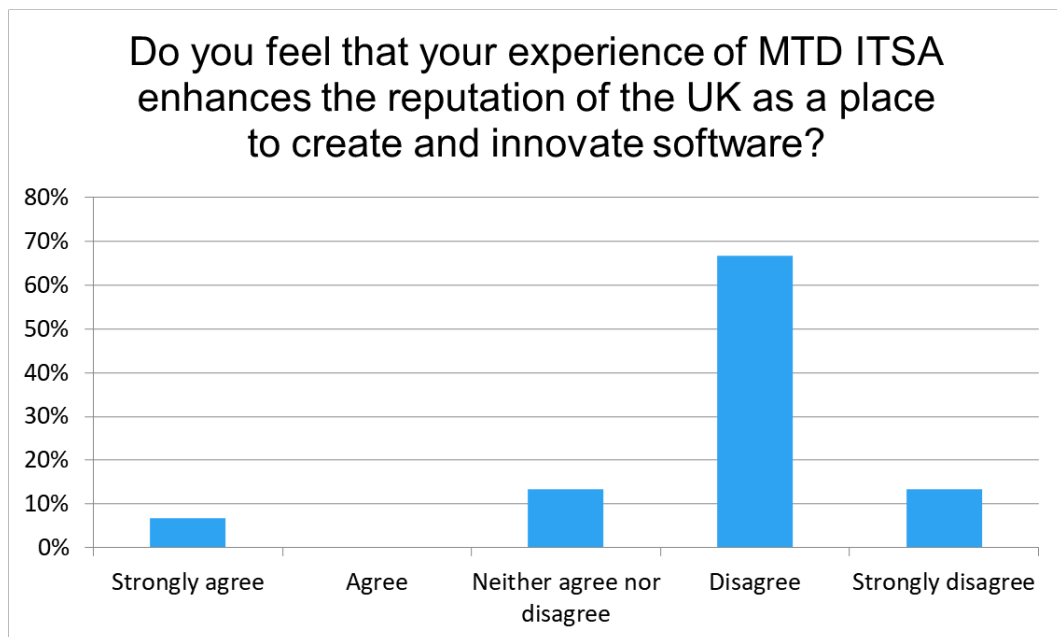
5.2 Attracting entrepreneurs
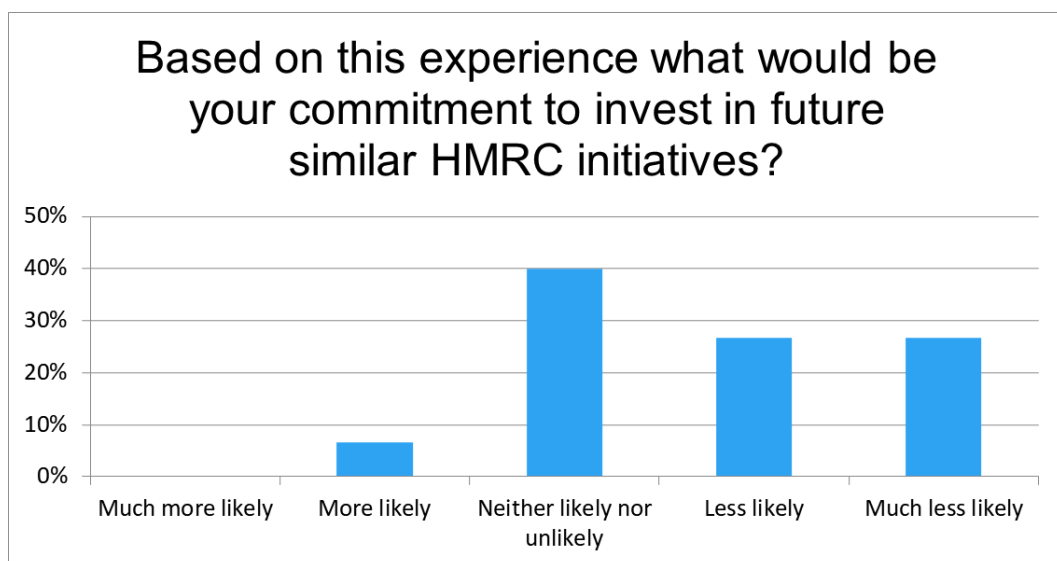
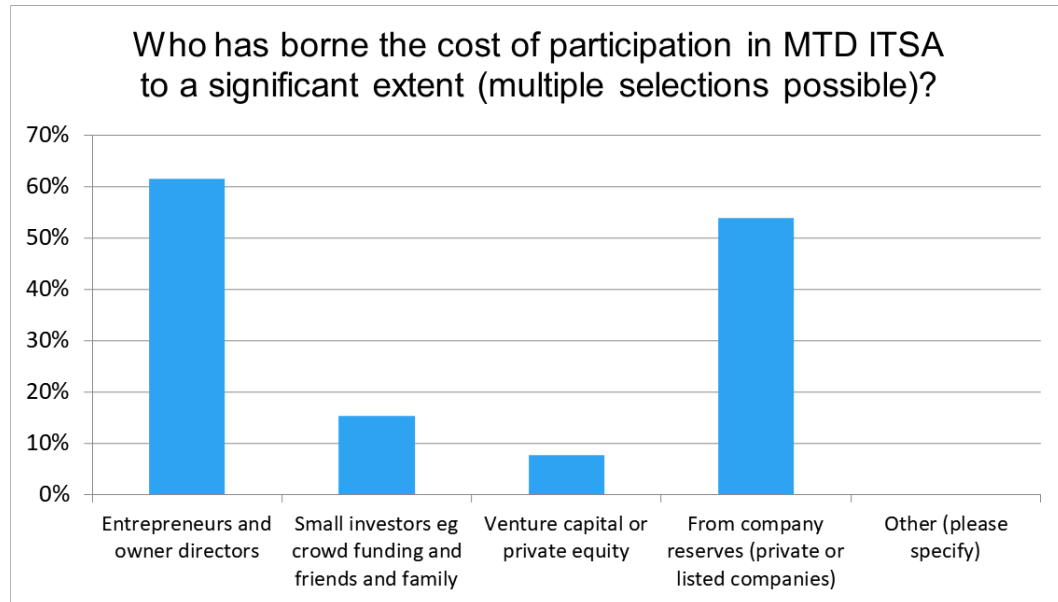A key opportunity from MTD ITSA has been the scale of the opportunity, and the potential to create a tax technology cluster to match fintech.

The damage to developer confidence and, importantly, investor confidence, in future initiatives has implications for the UK and the international perception of the country, and the sector's ability to attract talented innovators. The impact has hit entrepreneurs hardest:

Who has borne the cost of participation in MTD ITSA to a significant extent (multiple selections possible)?

n=13

"HMRC have abused the relationship with us."

It needn't be like this. Software developers are encouraged by government ambition and support it. As Chancellor Jeremy Hunt said in January 2023, "*If anyone is thinking of starting or investing in an innovation or technology-centred business, I want them to do it here [in the UK].*

I want the world's tech entrepreneurs, life science innovators, and green tech companies to come to the UK because it offers the best possible place to make their visions happen.

And if you do, we will put at your service not just British ingenuity - but … a British government that will back you to the hilt."[30]

This has not been matched by the reality of MTD ITSA.

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[30] https://www.gov.uk/government/speeches/chancellor-jeremy-hunts-speech-at-bloomberg

5.3 Entrepreneurs shouldering losses and forced to exit the market

Within hours of the announcement of the delay and descoping, the first software business announced that it meant that their service was "no longer sustainable."[31]

"As a developer, there is a high risk from investing in a project like this when the likely launch is still in doubt … in three years' time when we hit mandation the code, system and processes will have changed and we'll need to keep this up to date – all with a chance it doesn't happen or will be delayed again."

TaxSheets founder, as reported in AccountingWEB

Coconut was founded by two highly skilled entrepreneurs with backgrounds in accounting and technology. They were exactly the sort of innovative business that MTD was meant to encourage.

In December 2022, as they closed a funding round, Coconut announced that they had received production credentials from HMRC for MTD ITSA and were opening the Coconut pilot programme.[32][33] As with other developers building against HMRC's timetable, they had no idea that a further delay was being considered.

In May 2023, Coconut was sold to another software developer for £1.

This was after seven years of work by two entrepreneurs backed by an international accelerator, as well as friends, family and thousands of small investors who had collectively invested several million pounds with MTD ITSA as a major component of the business plan.

TaxSheets and Coconut are not alone. Supporting HMRC on this initiative has been high risk, and no reward.

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[31] https://www.accountingweb.co.uk/tech/accounting-software/taxsheets-becomes-the-first-mtd-itsa-software-casualty
[32] https://www.accountingweb.co.uk/community/industry-insights/coconuts-mtd-itsa-software-is-hmrc-recognised-for-digital-record-keeping
[33] https://www.crowdfundinsider.com/2022/11/199002-accounting-software-firm-coconut-raises-392390-via-crowdcube/

5.4 Innovation

HMRC's ten-year strategy suggests that [MTD] – its flagship programme - "is driving up innovation, with many products carefully tailored for different business sectors, and offering advantages for wider business administration well beyond meeting tax obligations. The government expects to see further development, innovation and diversification of these software products, including apps, with a wide range of services to support small businesses and their productivity."[34]

It is widely missing the mark:
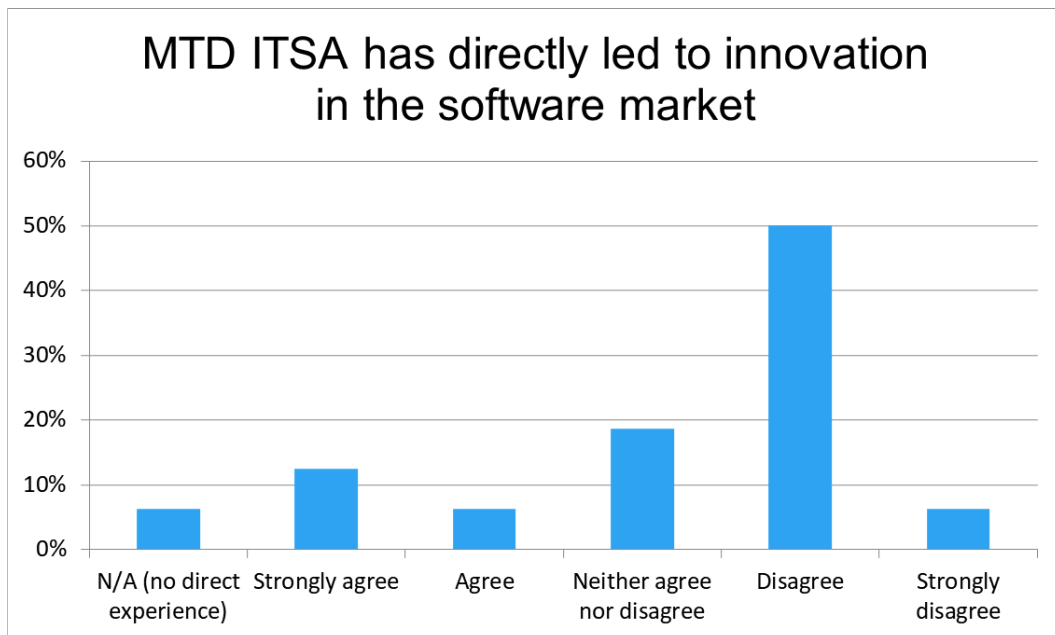
6 Business impact – overview

The following four sections look at the impact on developers (intensity of indicates concentration of impact on that type of developer).

	Overall	Impact mainly on smaller developers	Impact across all developers	Impact mainly on larger developers
Commerciality				
Communications				
Regulatory and policy				
Technology and testing				

7 Business impact - commerciality

| Commerciality	Overall	Impact mainly on smaller developers	Impact across all developers	Impact mainly on larger developers

7.1 A gap in understanding

Those in the software industry recognise that it is challenging for HMRC to understand the nature of commercial technology businesses including the cost base and effort involved in maintaining secure, tax-compliant systems. Very few, if any, of the HMRC team have worked in a commercial software environment.

This is probably the reason why commercial concerns ranked most highly in the heatmap of issues.

At the core, whether large or small, software businesses did not feel that HMRC understood the commercial world they operate in:
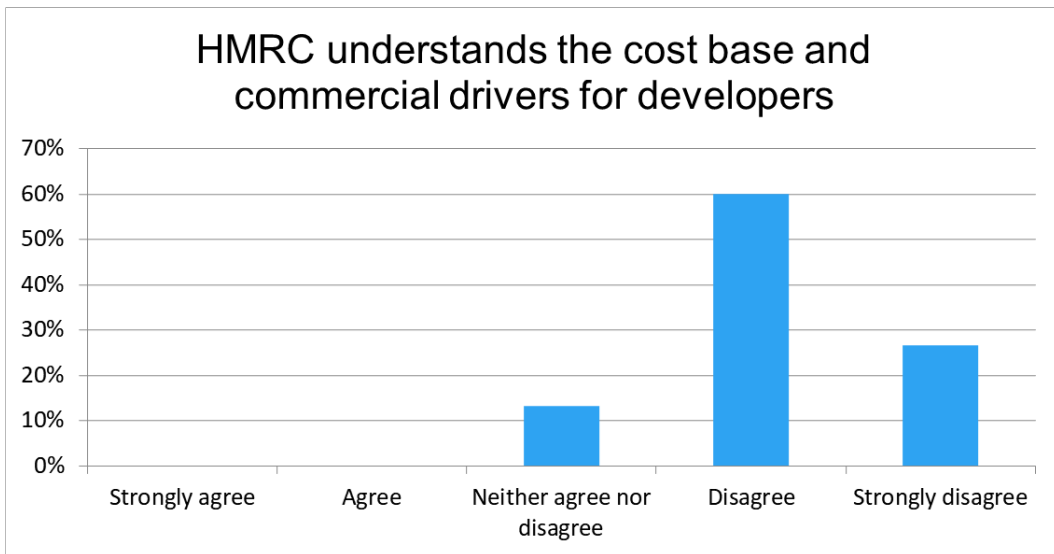
"Our viability or success does not seem to be HMRC's concern. It needs to be.

Because if taxpayers are drawn to poor quality, insecure or data-exploitative software, it presents a systemic risk to the UK."

This gap in understanding scored highly in each of the categories – affecting all software developers, smaller developers, and larger developers. The reality is that the development cycle in a small developer with two or three highly knowledgeable and technically skilled principals will be very different to the structures in a larger software company. But both ends of the spectrum felt that HMRC did not understand them.

This has an impact both on the engagement with software companies, and in terms of policies such as the expectation that there would be software made available for free for significant numbers of taxpayers. BASDA and software developers have previously expressed concerns over the viability of this policy and associated risks, and presented constructive options.

7.2 The cost to software developers

MTD ITSA has generated a return on investment for those developers involved

	N/A (no direct experience)	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
%	~6%	0%	0%	0%	~38%	~56%
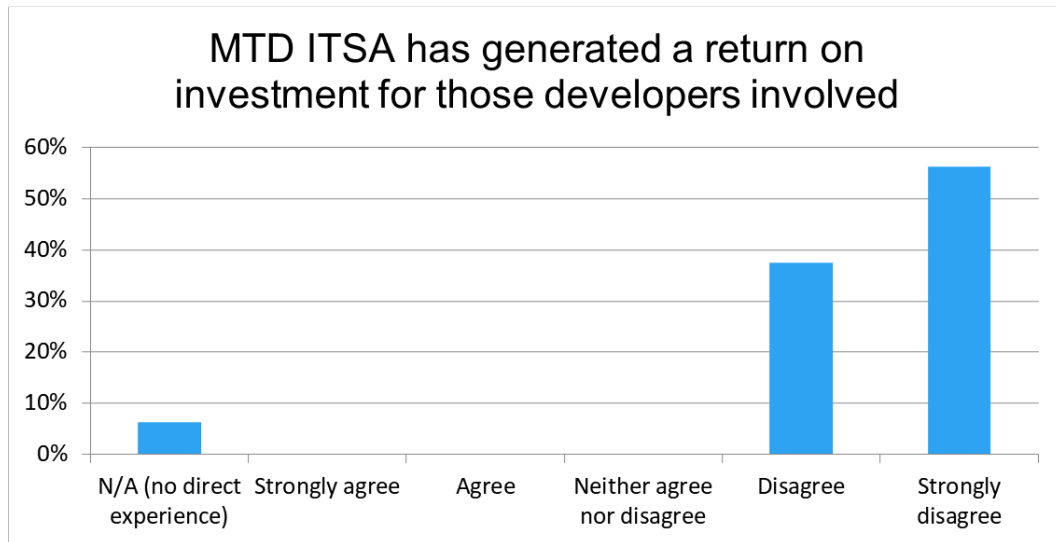
Unsurprisingly, MTD ITSA has not generated a financial return for software developers. The model is unviable.

Software businesses have not been paid anything for their time or costs. **Many have been working on this for approaching a decade. Such lags between investment and potential return are unrealistic in the commercial world**.

The language around 'potential return' is significant. **This is not a guaranteed revenue stream** once MTD ITSA goes live. The market will be open to new developers to enter with no advantage to those that have put years into making this work.

> *"This project doesn't reward the innovators. At best it rewards the survivors."*

For developers with products for larger taxpayers, the eventual roll-out of MTD ITSA will be an additional extension to existing digital record-keeping software (or be a bridging product where that legacy software is not set up for direct submission). It will be a small financial opportunity at best and may even be a cost that developers need to absorb as part of helping people remain compliant.
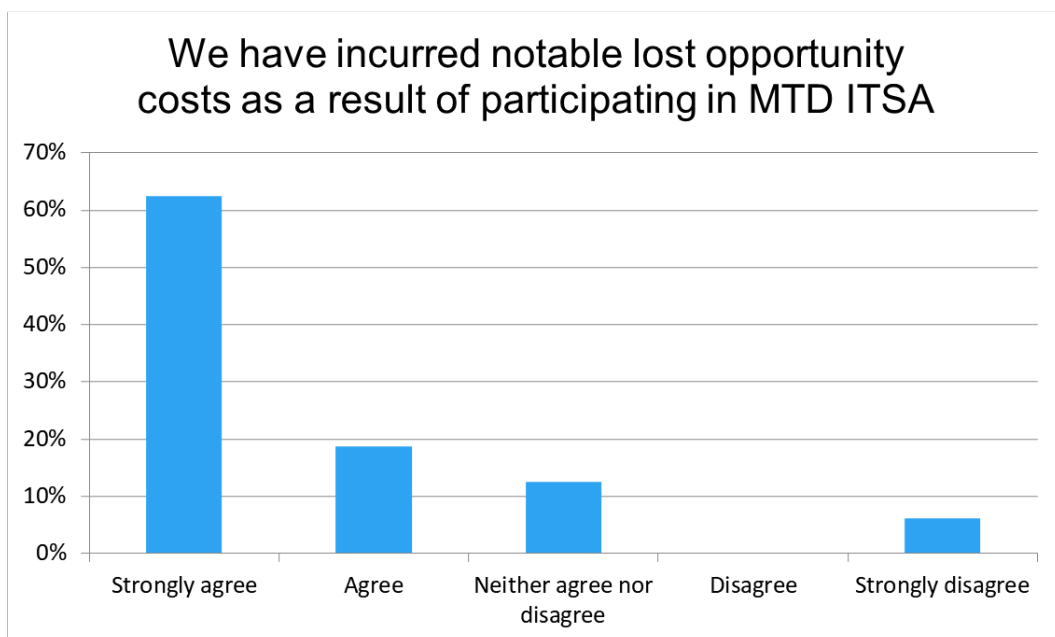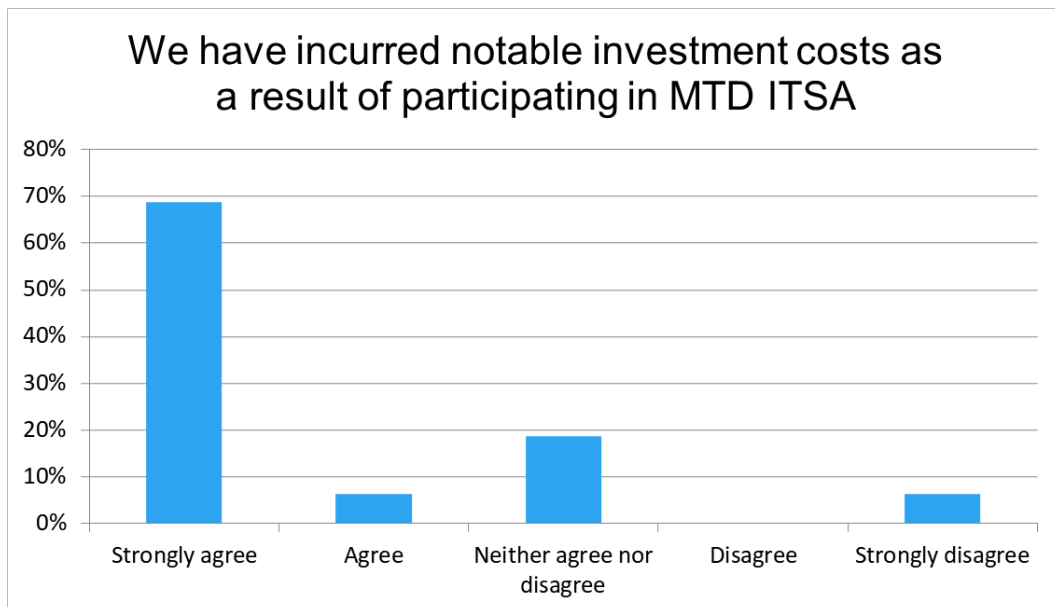
Developers that have built their products for the mass market of smaller taxpayers are unlikely to see a return.

7.3 Quantifying the cost to the software industry

The software industry has suffered significant losses in backing MTD ITSA. As part of the review, 16 developers responded to the amount spent – totalling an estimated £29m. The broad consensus was that the rest of the market would have spent at least as much on top of this.

Software developers indicated other projects had been put off in favour of MTD ITSA. They estimated that a similar amount would be the opportunity cost - financial returns these developers could had secured had they deployed the MTD ITSA resources elsewhere.

This suggests that **the costs to developers of MTD ITSA so far have been in excess of £110m**:[35]

Chart: We have incurred notable investment costs as a result of participating in MTD ITSA

Chart: We have incurred notable lost opportunity costs as a result of participating in MTD ITSA

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[35] £29m direct costs equiv to half the market. Total £58m. Additional opportunity costs £58m. Total £116m.

Roughly how much has your business spent bringing your MTD ITSA solution to market?
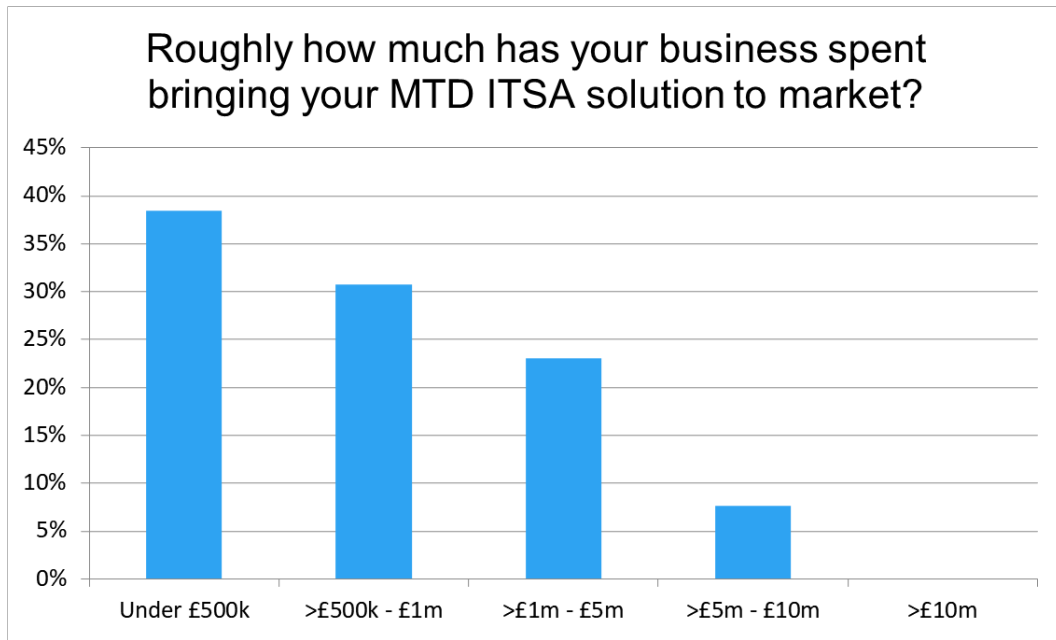
n=13

7.4 Reputational impact

On a positive note, it seems that involvement in MTD ITSA has not had a major effect on brand reputation:

Our brand has been negatively impacted as a result of delays to MTD ITSA
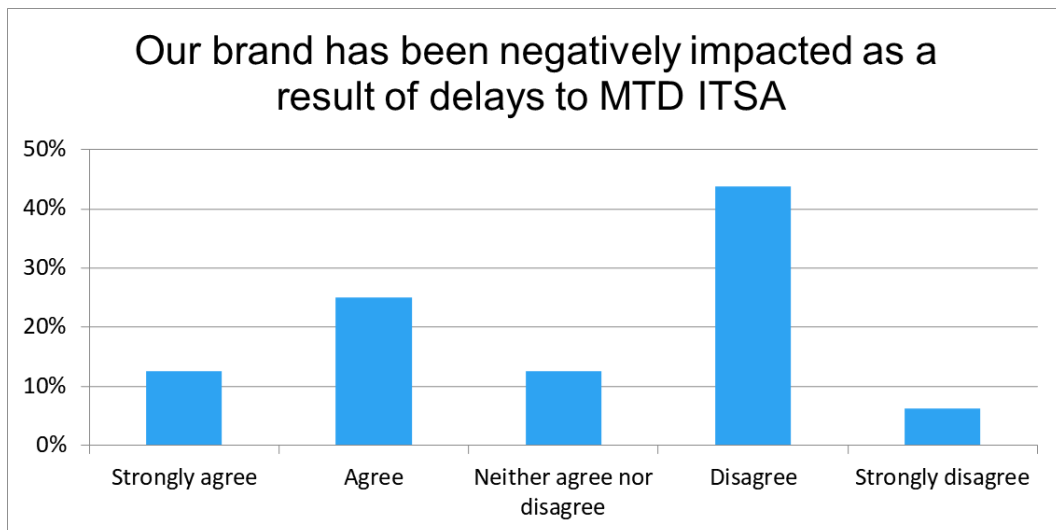
7.5 Attracting those working in tax software to engage in future projects

For those involved, it hasn't been good for careers:

For those involved in MTD ITSA personally, it has enhanced and enriched their career
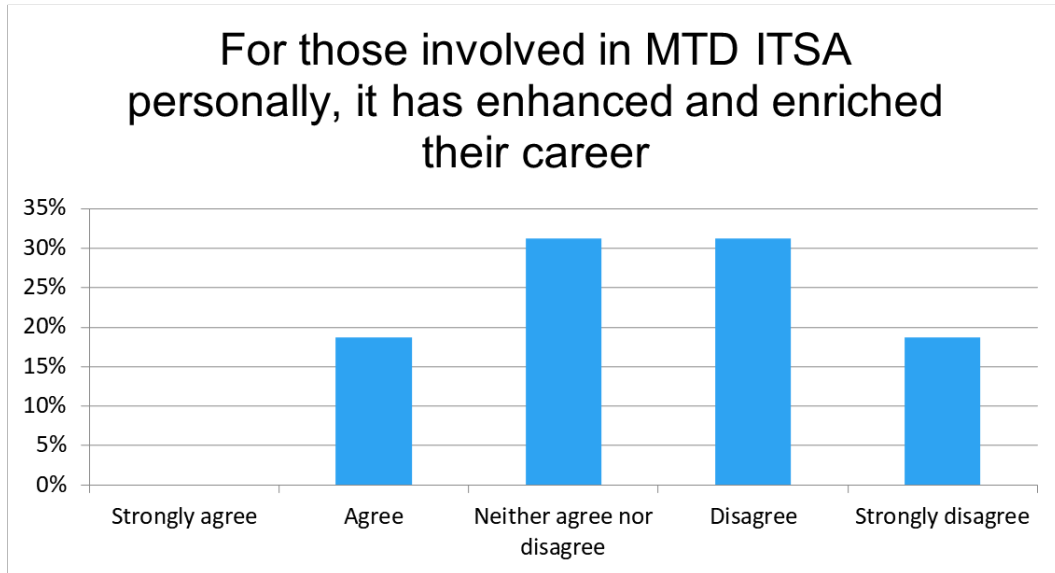
Although larger developers have been able to redeploy team members to other projects, in the most innovative smaller developers, jobs have been lost with short notice at exactly the time that the industry had been scaling up less than 70 weeks before 4m+ people were being mandated to use new software.

It was a sad day a couple of weeks ago, getting the news that ▇▇▇▇ was downsizing the team substantially due to the MTD ITSA delay. Unfortunately, my role is impacted.
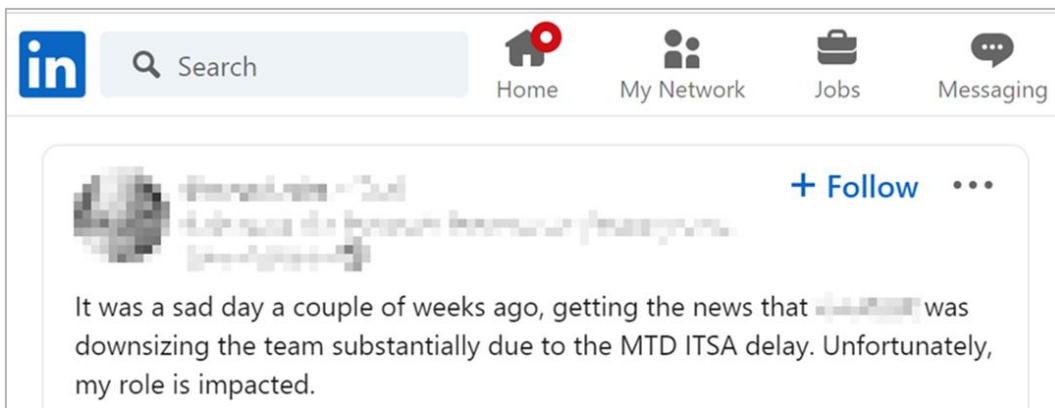
8 Business impact - communications

	Overall	Impact mainly on smaller developers	Impact across all developers	Impact mainly on larger developers
Communications				
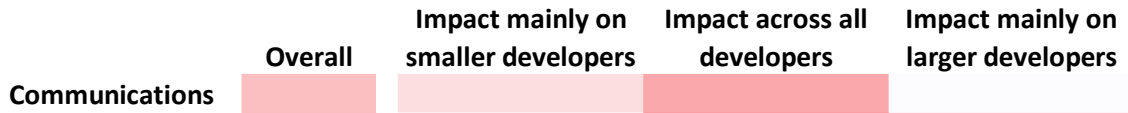
8.1 Regular contact

On a positive note, software developers reported regular contact with HMRC:
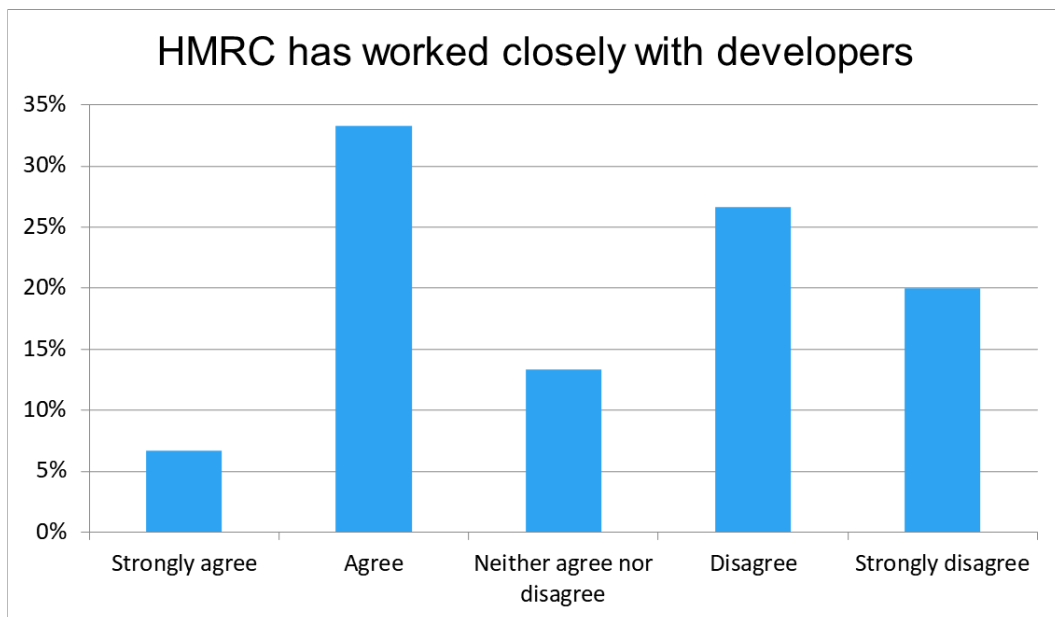
This has taken several forms:[36]

- Direct engagement through the DRM – Digital Relationship Manager – assigned to each software developer. The DRM acts as the primary contact point between the developer and HMRC, not just for MTD. For active pilot developers, these meetings were weekly
- Software developer-specific engagement organised by CREST, the Customer Readiness and External Stakeholder Team. This included online developer briefings and a face-to-face meeting in Leeds in May 2022. A member of the CREST team would also often attend the weekly meeting between a vendor and their DRM
- CREST also organised forums such as SAG and DIF which included selected stakeholders (mainly a number of invited developers and agent representative bodies)

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[36] The breakdown of roles was not clear to developers; this is a best guess based on information provided

Other groups at HMRC also had a role in communications:

- The Software Developer Support Team (SDST) managed the provision of API information
- Individual taxpayers in the pilot had communications from a separate operational 'MTD team' – it was not uncommon for them to get information that was inconsistent with the message that developers were being given

8.2 But not effective contact

Possibly hindered by working out how it would operationalise everything ready for 4.2m taxpayers, HMRC was unable to find workarounds at the human scale of the pilot (nine taxpayers as at January 2022).[37]

There was sympathy and respect for the people that software developers spoke to – the DRMs. These were genuinely close relationships. But the DRMs didn't know answers and were not in the MTD team. Their role was largely understood by developers to be to pass messages into HMRC and they didn't seem to be supported by the rest of the organisation.

> *"'We'll pass it on and get back to you.' This was the mantra. We knew that we'd probably hear nothing more."*

It meant that despite all the effort, the communications were neither reliable nor effective. Compared to the previous chart, this is a major contrast:

HMRC has communicated with developers openly and transparently in a timely manner

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
0%	0%	~27%	~47%	~27%

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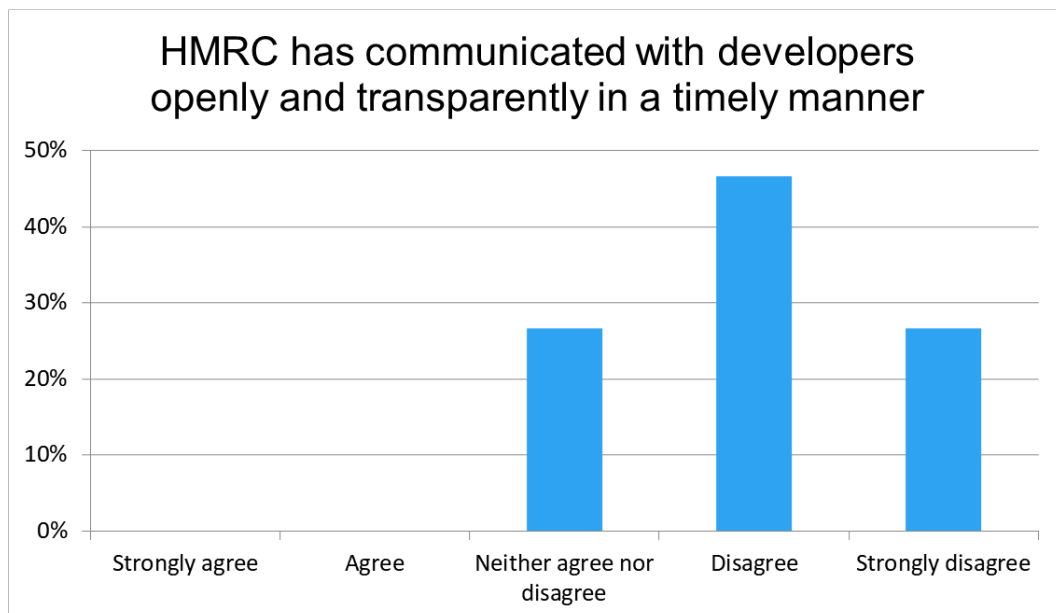
[37] See 4.2 The pilot

There were two aspects to this. First, the lack of responses through the DRM channel. Software developers referred to them as being "slow" and "bureaucratic" with low expectations that committed follow ups would happen.

And second, at a project-wide level, software developers rarely felt important to HMRC as a whole.

At best HMRC were perceived to be showing "disinterest" in the developer viewpoint, but vendors also reported HMRC being "arrogant" in addressing concerns, with information being "misleading and inconsistent" and "one-way."

"They are internally driven and treat external priorities as unimportant."

Software developers used language such as "lack of substance to communications", "deflective" and "[paying] lip service" to describe their engagement.

What is striking is that in most of these areas these software developers were all acting independently, unaware that others were in a similar position. Each separately raising similar concerns, and desperately trying to help HMRC to get things on track.

"We are listened to but not heard. A lot of the feedback we share with HMRC [seems] to fall on deaf ears."

8.3   Warning signals

Software developers could also see that things weren't working.

And yet HMRC continued to tell everyone publicly and privately that things were on track. This mismatch between what developers were experiencing and what they were being told was a major factor in the breakdown of trust.

Software developers were also escalating issues in HMRC, particularly from the end of 2021. "[Concerns were communicated] via our DRM in regular catch ups but also the more senior members of the MTD team. Each time we were just told there would not be another delay." Another said, "the response was a bit of a brush off (if I recall) and probably their standard governmental non-committal approach."

87%[38] of software developers said that they'd lost confidence in the 2024 date by summer 2022.

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[38] 13 out of 15

8.4 The delay and broken trust

The late December 2022 announcement of the delay to MTD ITSA was very poorly received.

The delay itself was not a surprise given the problems that were evident in the programme.

However, even up until the announcement, HMRC were consistent emphatic that there would not be a delay and were encouraging software businesses to double down their effort – even in the days leading up to the announcement. This was a missed opportunity and has broken trust. Representatives noted that in the spirt of co-creation and trust, HMRC could realistically have worked with stakeholders to prepare various options for ministers.

The delay was an opportunity to really understand what would help MTD ITSA succeed. Doing so means there must be some benefit for all parties. Disappointingly, HMRC has not actively worked collaboratively with the software industry to understand and address the issues that this report identifies.

9 Business impact – regulatory and policy

	Overall	Impact mainly on smaller developers	Impact across all developers	Impact mainly on larger developers
Regulatory and policy				

9.1 Policy disconnect

Regulatory concerns can be summarised as the disconnect between the policy team at HMRC and the pilot itself.

There seemed to be limited appetite to revisit policy questions even when they were plainly unsuited to what was needed.

Many of these were very detailed – for instance in term included in certain aspects of the functional design, where considerations had clearly not been thought through in advance such as for multiple joint property ownership. This is the sort of challenge that software developers are used to facing in agile development, but HMRC did not seem flexible or set up to address them.

Even where HMRC acknowledged that the policy wasn't ideal, there was reluctance to change it. It meant that certain aspects are knowingly sub-optimal.

9.2 HMRC in competition with third party software

HMRC has explicitly said over many years that it would not compete with third party MTD software.[39]

This may be true technically, but developers have noted HMRC is launching services that directly weaken and undermine the value of that software.

In May 2022, software developers learned more about HMRC's **free update and submit service**. They were told that it was for non-MTD income and expenses and for sources that would not necessarily be supported by MTD products. But these are not niche sources – they include employment income received by 75% of working age people.[40]

This undermines those MTD ITSA products that are wider than simple MTD submission – which means that HMRC's service is ostensibly a threat to nearly 60% of the products in this review.[41]

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[39] For instance "HMRC does not plan to produce its own digital tools and will not endorse any such products produced by anyone else." https://www.gov.uk/government/publications/making-tax-digital-software-suppliers-terms-of-collaboration/terms-of-collaboration-between-hm-revenue-and-customs-and-software-developers though these "terms of collaboration" have been replaced by "terms of use"

[40] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2023

[41] See 3.5 Product profile

HMRC emphasised this was consistent with the policy to have a low bar on MTD recognition. They were building update and submit to bridge the gap between the lightest MTD services, and what people needed to file a tax return.

The software representatives wondered whether a more useful approach may have been to raise the bar on MTD recognition.

HMRC committed to a follow up meeting. A year later the software industry is still waiting.

At the same meeting in May 2022, the software industry was introduced as a group to **HMRC Assist.** This was presented as a way for taxpayers to communicate in context with HMRC and has since been portrayed as a mechanism for HMRC to embed their own nudges and insights in third party software when a submission is made.

In theory, this could help taxpayers to get their taxes right. Done properly, it may well be something to be welcomed.

However, there has been no deep or holistic collaboration with stakeholders as to how this will work, what the gap is compared to what software and agents already provide, or how HMRC data could be made available with permission to software to help taxpayers get it right before they submit. Astonishingly, for something that is to be embedded, HMRC appear to have been working on this in isolation.

Developers have privately asked why HMRC has prioritised getting its own front-end capability live, when developer API end points have been consistently unreliable and failing.

9.3 In or out of the MTD programme

It was sometimes unclear whether responsibility for certain requirements was inside or outside the MTD programme. Core dependencies would suddenly emerge as not part of the MTD brief.

For years, all stakeholders had been raising that certain parts of the MTD design were unviable for as long as HMRC did not support multiple agents. It took until 2023 before this was taken on board with the setting up of a new Transforming Agent Authorisation initiative – outside the MTD team, and with its own timetable.

MTD software developers, agents and taxpayers are in limbo. Short term interim solutions proposed by developers to enable modelling of multiple agent scenarios have been rebuffed.

9.4 The forgotten taxpayer

There were frequent occasions where HMRC's own processes prevented what would have been expected of an open pilot. This included the lack of a proper mechanism for a taxpayer to trust software to the extent that was needed to enable the software vendor to resolve issues collaboratively with HMRC.

Instead of an integrated, coordinated approach, different messages were sent to taxpayers and the software vendor they were working with.

The purpose was being lost in process.

9.5 The value of mandation

Commentators noted that "the benefits of MTD for taxpayers – more accurate business records leading to fewer errors, and reduction in administration time – are the result of digitising their accounting systems, not digitising the tax they pay."[42]

Even so, the software industry was aligned with HMRC that significant policy emphasis would be a major factor in this happening.

"Agents and taxpayers were at a turning point away from shoebox accounting.

Without the compliance push, it will now be hard for agents to encourage better record keeping. That is a shame when other markets are progressing beyond the UK."

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[42] https://www.accountingweb.co.uk/tax/hmrc-policy/mtd-itsa-pilot-too-little-too-late

10 Business impact – technology and testing

	Overall	Impact mainly on smaller developers	Impact across all developers	Impact mainly on larger developers
Technology and testing				
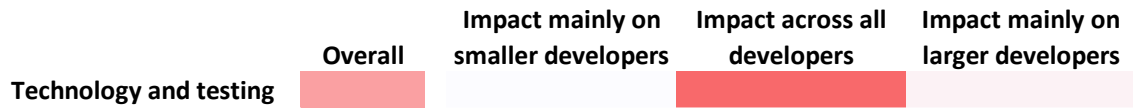
10.1 The wider project

MTD is not just about submitting data. It also involves HMRC moving millions of taxpayer records onto a new technology platform.

The software industry understands the complexities associated with migrating systems at the same time as building a new way of tax reporting.

There was some sympathy that this could have contributed to some of the implementation difficulties - though HMRC has not said that migration has been a significant factor, while saying that both re-platforming and reporting are priorities.

This major programme is being supported by multiple large systems integrators, some of which are building the capability to connect to external software.

Contact with those designing and implementing the system has been negligible. However, software developers noted that an in-person developer day in Leeds in May included an opportunity to give feedback to representatives from Cap Gemini. This was welcomed and constructive. And short lived. Despite assurances there would be follow-up meetings, nobody mentioned that Cap Gemini's contract was ending and would be replaced by Atos a few weeks later.[43]

> *"If I worked for a systems integrator, HMRC would be charged £1,000+ a day to test the systems they'd built."*

> *"Because I'm an external software developer and despite our greater knowledge of the tax system, I am expected to do the same tests for free."*

10.2 Front-end software and back-end architecture

The relationship between the different priorities of the project is important.

The underlying architecture needs to be robust. It could last for decades, but also needs to be flexible for changes to the tax system and evolution in technologies (known and unknown).

Interaction with the back-end system would normally be through APIs which are exposed either internally to other HMRC services or externally to third party software or other government

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[43] Reported by developers

departments. The nature of these will also evolve, and it would be expected that new services would be deployed over time.

Whether as an app or in the browser, taxpayer and agent software relies on these APIs. Users expect the software to be user-friendly and it needs to be highly flexible. Technologies change. And that's why developers are so concerned at the impact of the delays on their products.

10.3 Missing the user experience

Testing was primarily about on exchanging data in the right format. There was little interest in the accuracy of the response, the software itself or how taxpayers would work with it – ie the user experience that would ultimately be so important to the success of the programme.

10.4 Overcomplication

The software industry noted that certain obligations required a lot of steps and appeared to be overcomplicated for what was needed. But by the time software developers knew about them, it was typically too late to change.

10.5 An inadequate test process from the beginning

Since the outset of MTD, the software industry has noted the difficulties of testing and that the MTD set-up did not meet the minimum threshold that would be expected of a project of this nature.

This included the absence of a reliable test 'sandbox' environment that mirrored the real production service. A sandbox environment is a safe place for software to be tested and issues to be identified and remedied before code is deployed to a live operating environment. Such a set-up would also typically allow software developers to check that they are getting the expected response (or error) when test data is submitted. As real and potentially sensitive live data is not being sent, there should be full visibility for fixing any issues. It also enables a wide range of scenarios to be tested without needing to find real taxpayers with a particular tax profile.

In contrast, HMRC sandbox capability was severely limited. While sandbox endpoints are in place to check the ability to submit, there is extensive use of fixed data – whatever is submitted, the same response is returned.

As a result, it felt that the first test of HMRC code was happening when software developers started filing for taxpayers in the live pilot.

"The big problem with [MTD] ITSA is that it is untestable.

If you can't test it, you can't have a reliable system."

Various other concerns included:

- This was not just a problem for external developers - HMRC seemed to be carrying out limited testing before deploying its own software, and then it was deployed straight to production without suitable sandbox testing
- Bugs therefore affected all developers and taxpayers involved – and when they tested capabilities which had issues, they all fell over
- When bugs were reported, HMRC's response was slow

"[Software developers] need to be able to test it quickly, not over 18 months."

- As bugs involved real taxpayers (since test users were not supported), open collaborative resolution was effectively impossible - data privacy, security and permission restrictions sitting across HMRC prevented this
- This was one of the reasons why more than one developer noted they were getting the same errors many years in
- Basic project principles were missing – there seemed to be no proper log of live service issues. Software developers noted that they had asked for this – and been promised it - on a regular basis. But it was only shared once – in October 2022 – as a PowerPoint
- Developers noted that they had been asked by HMRC to test certain capability, but that HMRC would then not allow them to onboard taxpayers who met those criteria
- There was generally no contact between external software developers and those responsible for the software itself at HMRC – it all needed to go through the DRM and a chain of engagement

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"We sent them HMRC logs of an error that we kept getting.

Several weeks later HMRC assembled ten of their team on a call with my colleague, which we hoped would debug and resolve the problem.

My colleague went through the steps and hit submit. And everyone watched as the submission failed and gave the same error we had reported months earlier.

They said, 'we need to refer that to someone else.'"

10.6 Matching the developer experience to public messaging

Developers were repeatedly and consistently getting failures from HMRC when taxpayers tried to make submissions.

While there may have been successes, the public messaging that HMRC had been able "to successfully prove that the end-to-end MTD Income Tax service works in a live setting"[44] was politely described by a developer as "a stretch."

"We thought the pilot would be a chance to test our software.

We barely did so.

Almost all our effort was spent testing HMRC's software. And it didn't work."

10.7 Not learning from testing

Even very active software developers noted that they could not recall a time when HMRC had genuinely asked them of their experience of the pilot, or any feedback.

It felt to developers that testing was happening in isolation from other parts of the project, rather than informing it. Resolution processes designed to prioritise major failures in operational systems were unsuited to the pilot.

This meant that:

- Problems continued to persist
- Software developers reported communications with senior members of the MTD team who seemed to be unaware the extent to which testing was failing
- Suggestions that could improve the experience were not fed back

This theme is highly relevant now – even though HMRC are reviewing certain MTD principles, they are continuing to build - and expecting software developers, agents, and taxpayers to file - against the existing design. This is of particular concern to those who have heard HMRC suggest that it's too late to change because the project is too far down the road.
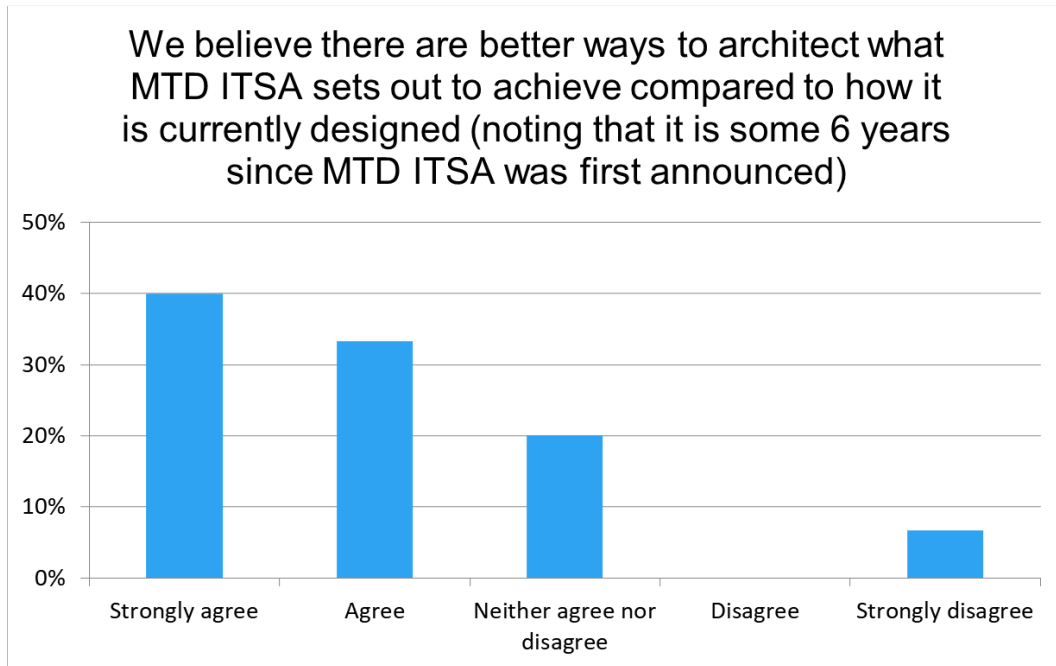
10.8 Is there a better way?

Software vendors can see how many years have passed since MTD was first conceived, the availability of data from other sources, the evolution of technology and architectures, and the adoption of alternative digitalisation models by other tax regimes.

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[44]

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/873574/Making_Tax_Digital_-_An_evaluation_of_the_VAT_service_and_update_on_the_Income_Tax_Service.pdf

The MTD ITSA programme is fundamentally unchanged in this time. There may now be better ways for HMRC and government to achieve their policy goals:

We believe there are better ways to architect what MTD ITSA sets out to achieve compared to how it is currently designed (noting that it is some 6 years since MTD ITSA was first announced)

Response	Percentage
Strongly agree	40%
Agree	33%
Neither agree nor disagree	20%
Disagree	0%
Strongly disagree	7%

11 Glossary

Agent – a tax agent generally refers to a professional such as an accountant, tax specialist or bookkeeper. Agents also include friends and family who can be set up for this purpose, and other third parties

API – Application Programming Interface – effectively a way for two software systems to talk to each other

ATT – The Association of Taxation Technicians

Bridging software - software which integrates with legacy software to submit to HMRC. Examples include those that submit to HMRC from within a spreadsheet

CDIO – Chief Digital and Information Office

CIOT – Chartered Institute of Taxation

CREST – Customer Readiness External Stakeholder Team (part of MTD team at HMRC)

Developer – the language used by HMRC and in this report to describe a business that develop tax software (this is the company rather than an individual software engineer)

DIF – Digital Implementation Forum, convened from April 2022 onwards (to replace SAG) with invitees from representative bodies, selected developers and HMRC

DRM – Digital Relationship Manager (part of CDIO at HMRC), the primary contact point between a developer and HMRC

ICAEW – Institute of Chartered Accountants in England and Wales

MTD – Making Tax Digital (originally Making Tax Easier – and at various points also named MTDfB – Making Tax Digital for Business)

MTD ITSA – Making Tax Digital for Income Tax Self Assessment – for those with trading and property income

MTD VAT – Making Tax Digital for VAT – gradually rolled out to all VAT registered businesses

NAO – National Audit Office

Representative bodies – a term used to cover professional institutes and bodies (including those representing accountants, tax advisers and bookkeepers)

RTI filing (real time information) – PAYE reporting via software introduced from 2013

SAG – MTD Software Advisory Group, which met for the last time in May 2021 with invitees from developers, representative bodies, tax agents and HMRC

SDST – Software Developer Support Team (part of CDIO at HMRC)

12 Appendix – The review

12.1 Format of the review

The review consisted of two components – an online survey and an externally facilitated meeting on the same themes.

Software developers known to be engaged with the MTD ITSA programme were invited to participate according to the extent of their involvement in the programme, irrespective of whether they were members of BASDA.

In total, 18 developers took part. By coincidence there were equal numbers of BASDA members and non-members (nine of each). With overlap, 16 developers completed the survey and 16 joined the facilitated discussion – notable for the 100% attendance of expected participants.

This review incorporates comments and data from both the survey and the facilitated meeting.

All quotes in this report have come from software developers, whether as part of the survey, in the facilitated meeting, on associated digital media, or in correspondence related to the review.

Except for in reference to external published materials, feedback was anonymised consistent with commitments given to software developers and the comments are unattributed.

12.2 Competition law considerations

The conduct of the review took into account Competition and Markets Authority (CMA) guidance on the responsibilities of trade associations in respect of competition law. This meant that sensitive information could not be disclosed, and therefore this report is largely qualitative in nature. BASDA have managed this carefully and the external facilitation included specialist competition knowledge.