

## **Written evidence submitted by Sage Plc for Public Accounts Committee Inquiry**

### **HMRC performance: progress review**

Sage welcomes the opportunity to submit evidence to this important inquiry. We are conscious that the Committee has identified concerns with how HMRC are to deliver the multitude of important programmes they are committed to achieving, especially in the context of Brexit.

In this submission, we would like to touch on one of the most important projects that HMRC is embarking on – Making Tax Digital for Business (MTDfB).

In summary, Sage is confident that Making Tax Digital will be a success and will help to reduce the time an average SME spends on administrative tasks, improving productivity by freeing them up to invest in growing their business and looking after their customers.

There is significant momentum behind this programme and we are working extremely closely with HMRC to make it a success, to avoid uncertainty so that accountants and businesses will continue to prepare and investment in delivery continues.

Looking ahead we believe the following will be key:

- a successful pilot, and widespread communication of this, that provides assurance to businesses and accountants that MTDfB is on track before it comes into force for VAT in April 2019
- a proactive, coordinated communications programme with HMRC's backing and involving key stakeholders, like Sage, to make sure affected businesses understand what they will need to do to comply

#### **Further information:**

MTDfB is a key part of the government's plans to make it easier for businesses to get their tax right and keep on top of their affairs. There is widespread agreement that the MTDfB programme is ultimately the direction Government and businesses need to go in – it has the potential to be an important step in driving productivity and efficiency.

In addition, the programme will help HMRC achieve one of its stated overarching aims – to become the most digitally-advanced tax authority in the world. This is a critical goal to not only help in closing the tax gap and cutting down on tax return errors, but also to put the UK at the forefront of digitisation among the major global economies.

MTDfB will encourage businesses to switch to digital, cloud-based software to help run their business. We are moving to a world where SMEs have forward looking, predictive tools at hand such as helping businesses get paid faster by automating and providing workflow around cash collection. Using accounting software should significantly reduce errors and this is a key step to help HMRC reduce errors for SME's. And also where accountants, by bringing their clients with them on the digital journey, can get a more real time view of their financial and tax status.

[Independent research](#) suggests that the average SME will save up to 27.6 days a year by switching to doing their accounts using digital software, which equates to an average saving of £17,000 per annum. Indeed, just over 50% of businesses and accountants see MTDfB as positive and innovative<sup>1</sup>.

We recognise that for many businesses the move to digital means a significant change in the way they have done things before. Understanding how to prepare for that change and, importantly, how this can benefit businesses is key. Many businesses still rely on spreadsheets or paper for all accounting with only around 50% saying they use digital tools<sup>2</sup>.

This is why we are working with HMRC and other partners, such as the FSB and accountancy associations, to listen to and understand the concerns of business and develop the best solutions that meet the requirements set by HMRC. For example, Sage continues to work with HMRC to ensure that the use of spreadsheets is proportional so that the benefits of a digital Britain founded on a robust digital data store remain achievable.

At Sage, we are participating in the pilot programme to test the new system and ensure that it works as intended. Over the last few months we have Sage Sessions around the country for thousands of accountants where Making Tax Digital has been one of the main themes discussed. We are taking regular temperature checks of businesses readiness, producing guides for both SMEs and their accountants and continuously engaging with HMRC. Once the programme goes live, businesses and accountants using Sage software will have access to customer services, including our dedicated Cloud Support Hub, self-learning tools available online and the option of gaining access to our live chat function and 24/7 call centre.

If you have further questions please contact:

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<sup>1</sup> Impact survey, 1,398 UK small businesses (0-99 employees), 846 SMEs, self-employed and landlords and 552 accountancy firms

<sup>2</sup> <http://www.sage.com/au/resources/insights-and-trends/2017/sweating-the-small-stuff>