

# Sage (UK) Response to HMRC's 'Draft legislation: Income Tax (Digital Requirements) (Amendment) Regulations 2024' Open Consultation

Please find below our (Sage) feedback in relation to the draft legislation: Income Tax (Digital Requirements) (Amendment) Regulations 2024. We note three specific areas of feedback:

## Wording of Regulation 6 – Digital Records

The revised wording of regulation 6 (Digital Records) is quite ambiguous and open to interpretation. For example, what constitutes 'financial Information'?

We're not clear what the justification is for making the digital record requirements less descriptive but is the intention to issue a further update notice in accordance with paragraph 6(1d) to specify the exact information to be included in a digital record? If so, when can we expect this to be published?

In addition to the above points, paragraph 1b of regulation 6 now states that the digital record must contain *"the details of the items comprised in that (update) information"*. This would imply that the digital record must contain the allowable and disallowable amounts given that, according to the update notice, the update information must include this information. This is at odds with our previous understanding that allowable and disallowable values were only required to be recorded at the summary update information level and not at the transactional digital record level.

## Adjustments and corrections that don't require retrospective amendment to digital records

There are a number of scenarios where a bookkeeper/accountant may make adjustments that, as we understand from ongoing discussions, aren't required to be retrospectively reflected in the individual digital records. For example, an accountant might make an adjustment at year end to adjust category totals to reflect multiple miscategorised transactions in one go or a taxpayer may have accounted for transactions on a cash basis and the accountant may process an adjustment to account for accruals at year end. We would agree that in these limited scenarios it would be disproportionately onerous to require taxpayers and agents to update individual digital records.

However, we don't feel this approach is reflected in the draft legislation and there's no clarity on what must be corrected and when.

According to regulations 6 & 11 (formerly 17) of the draft legislation a digital record must specify 'X, Y & Z' and where a relevant person discovers an error or omission in their digital records, the relevant person must correct the digital records as soon as possible (and provide correct and complete information to HMRC in their next quarterly update). The combination of regulations 6 and 11 is somewhat restrictive. The scenarios outlined above are technically an 'error/omission' in the digital records but the regulations don't provide an exception to regulation 11 for year-end adjustments. They also don't appear to cater for the scenario where corrections are made after the last quarterly update for a tax year that has been submitted.

We would suggest creating a notice outlining specific scenarios of when adjustments and corrections are NOT required to be made retrospectively at the digital record level as exceptions and reference this notice in paragraphs 6 and 11. We would encourage HMRC to publish a notice with the level of detail and examples akin to VAT notice 700/22 to provide absolute clarity around what must be corrected, where and when.

### Definition of 'Qualifying Income'

We feel that the definition provided for 'Qualifying Income' in paragraph 4 of regulation 13 is still somewhat ambiguous and would benefit from further detail to clarify the exact components of qualifying income.

This could, again, be catered for by way of a detailed notice that could define, for example, the specific tax return boxes to consider when calculating qualifying income and provide examples. This additional level of detail would likely help taxpayers and agents ensure that they and their clients are more easily able to prepare for and comply with the requirements of Making Tax Digital for Income Tax from the outset.