

Making Tax Digital for Corporation Tax – Fundamental Change requires Early Actions

The recently launched consultation document on MTD for CT tells us that a number of process and technology changes will have to be adopted in advance of the new regime, but the most fundamental impact will be the need to move tax from being a predominantly post-accounting period activity into a predominantly pre-accounting period activity.

Background

The digitalisation of tax authorities is an on-going driver for change in tax departments. Invariably these regulations have been introduced to decrease a tax gap. In launching the MTD for CT consultation we are told that there is a £2.1Bn CT gap that HMRC intend to narrow.

Having already launched MTD for VAT they are now pushing ahead with other taxes, in spite of not yet hitting the Phase 2 of MTD for VAT – Digital Links. Phase 1 made limited changes to how people operated; for many it was a change from entering data into an HMRC web page to entering data in an MTD filer solution; a minor cost and inconvenience only. Phase 2 impacts all submissions from the first VAT period starting on or after 1 April 2021 and requires companies to stop re-keying and copying information. All data going into the tax return must be digitally linked back all the way to the ledger.

New obligations

The most significant changes being announced under MTD for CT are:

- End to end digital record-keeping and digital links will become mandatory for all companies, including non-resident companies.
- Quarterly filing of summary tax-categorised information for all CT taxpayers, though there are some potential exemptions for large quarterly instalment payers.
- Aligning CT deadlines to Companies House filings shortens the CT filing period to six or nine months.
- XBRL tagging will become integral to MTD and manual tagging will therefore no longer be supported.

These changes then create a number of consequences for companies.

Changes to in-house tax compliance processes

- There will be earlier deadlines with no lead-time over statutory accounts deadline.
- Typing, re-keying and manual edits will no longer be allowed.
- New ways of working in spreadsheets, tax products, and financial systems will have to be adopted.



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Graham Tilbury leads FTI Consulting's Tax Technology Advisory team. Graham has significant experience working with businesses on a wide variety of tax technology projects, including tax technology consulting, tax automation, tax data analytics, tax AI, and online filing.

Software will have to be updated, upgraded or replaced

- Standard tax software such as corporate tax compliance systems should be updated automatically in due course.
- Non-standard solutions, out of support products, and old versions will need to be replaced.
- Industry specific solutions and tax-specific solutions will need to be investigated.

All tax data will need to be integrated

- ERP data into tax compliance tools will have to be integrated without copying and pasting between spreadsheets.
- Tax-packs, whether in-house or vendor supplied, will need to be integrated.
- All data that goes into the tax calculation and return must be digitally linked.

Tax categorisation will need to occur earlier in the process (and calendar)

- Initially summary level information will have to be categorised for the quarterly filings, up to 21 months sooner.
- HMRC are also keen to extend this to every transaction and are specifically seeking consultation feedback.
- This only applies to income and expenditure, but could optionally include allowances and reliefs.

How to prepare

Engage with the consultation

The consultation is still open, so the first thing you should consider is responding to it. Some questions are still open, such as whether businesses are prepared to categorise, tag, and submit all of their transactions; not only a summary of them. You can provide your feedback at the FTI Consulting MTD for CT website.

Take stock of the current position

Your plan for MTD compliance needs to start with knowledge of your current position. We can provide you with an immediate analysis and report that will inform your planning for MTD for CT, and also provide reassurance

over your Phase 2 MTD for VAT compliance. Our service provides the following immediately, with further annual updates leading up to the MTD for CT go live date:

- Process map that can be used to articulate the key tax processes and controls
- MTD for VAT Digital Journey compliance
- MTD for Corporation Tax including
 - Digital record keeping
 - Digital journey
 - Quarterly reporting
- Risk analysis
 - Appraisal of the technology related risks in your tax reporting processes
- Technology recommendations to drive improvement and savings
 - Suggestions for better use of existing technologies
 - Suggestions for new technologies
- Output 'Future Fit' report including
 - Risk analysis
 - Prioritised recommendations
 - Key dates

Setting out a plan

Shifting tax compliance forwards by up to two years requires a lot of planning and will entail changes to tax and finance systems; even with an April 2026 go live date there is barely enough time. A current state analysis in 2021 and an average two to three year implementation project takes you through to the end of 2024, giving you only one compliance cycle for checking.

Working with a trusted advisor who can guarantee not to be conflicted in the coming years will be essential. FTI Consulting is the largest non-audit tax advisory business and can support you with our specialist tax technology advisory practice.

For more information, please visit:
ftimeea.to/MTD-for-CT.

