

Making Tax Digital for Corporation Tax (MTD for CT)

Key Details – January 2021

HMRC launched the MTD for CT consultation document on 12 November with the window for responses open until 5 March 2021. HMRC's consultation document is available [here](#).

40%

Average readiness of companies for MTD regulation

86%

Of companies expect their MTD transformation project will take an average of 2 years to complete

There are a number of fundamental changes being sought by HMRC so it is vital that corporates engage in the consultation either directly or through interested parties such as FTI Consulting. Some of the key features of the scheme are highlighted below.

Key Points

- 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 will be required from all CT taxpayers, though some potential exemptions may apply for quarterly instalment payers;
- The potential alignment of CT deadlines to Companies House filings could shorten the CT filing period to 9 months or 6 months;
- iXBRL tagging will be integral to MTD and manual tagging will therefore no longer be supported; and
- HMRC expects some of its £2.1bn CT tax gap to be reduced by these measures.

*Survey at Tax Transformation Summit 2020

HMRC have suggested that MTD for CT will be effective for accounting periods commencing after April 2026.

The above proposals will therefore have a wide-ranging impact on all companies with respect to the tax compliance process.

Your in-house tax compliance process will have to change

- Earlier deadlines and with no lead-time over the statutory accounts deadline. The tax return filing deadline may now be aligned with the statutory accounts filing deadlines, therefore 6 months for Plcs and 9 months for all other companies, meaning there will no longer be a time lag between the completion of the statutory accounts and corporation tax return.
- 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.

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.
- It is believed that third party iXBRL tagging of financial statements will no longer be permitted, with the expectation that iXBRL tagging is undertaken by the accounts preparation software that is used by companies.

All tax data will need to be integrated and automated

- Enterprise resource planning (ERP) data to tax compliance software will have to be integrated without copy/paste between spreadsheets.
- Tax-packs, whether in-house or vendor supplied, will also need to be integrated. We are already aware that some software providers are phasing out their support for tax packs to create a more integrated end to end journey.
- All data that goes into the tax calculation and return must be digitally linked.

Tax sensitisation/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 than the normal categorisation within the tax computation.
- HMRC are also keen to extend this to every transaction and are specifically seeking consultation feedback on this point.
- This currently only applies to income and expenditure, but could optionally include allowances, reliefs and incentives, for example R&D and patent box, as well as capital allowances.

FTI Consulting Service offering

Whilst we appreciate the implementation date is scheduled for April 2026 and this may seem quite distant, experience tells us that large scale enterprise resource planning (ERP) systems and software changes require long lead times. Consequently, the sooner the process can be considered and discussed with all stakeholders of the process, the easier it may be to start considering what updates will be required from a MTD perspective.

FTI Consulting can offer a current state analysis review on the way a company's systems are set up and what processes are undertaken to extract the data from the accounting systems which are currently used to populate the corporation tax computations and returns.

We can do this via an interview process with the relevant finance team members and then provide comments by way of a status report to show what processes are currently compliant from a MTD perspective and what processes will need to be updated to ensure compliance with the new rules.

We can also advise as to how the current ERPs can be set up from a tax perspective, to ensure that the obligation for quarterly filing of summary tax-categorised information can be coded at source to facilitate the new quarterly filing obligation by way of active tax input into the account chart of accounts.

Engaging with Finance IT or ERP consultants requires knowledge of technology and transformation, which is often outside the comfort zone of tax professionals. You may be asked to provide or review business requirements or functional requirements for an ERP update. You want to make a change request to existing functionality, or your organisation could be embarking upon an entire finance transformation program. Whatever your situation, our specialists can help.

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