

Setting standards for tax software: Recommendations for HMRC and software developers to support taxpayers

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This discussion paper was written for the Tax Law Review Committee by Bill Dodwell, Sally Campbell, Elizabeth Connolly and Patricia Mock. The Committee has authorised its publication to inform and promote debate in this area. The views expressed do not necessarily represent the views of the Committee. The Institute for Fiscal Studies has no corporate views.

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The paper and its recommendations remain the responsibility of the authors.

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Glossary

API Application programming interface. A set of rules and protocols that allows different software applications to communicate with each other. A “bridge” that enables the sharing of data and functionality between different systems.

For example, an app on a phone to check the weather is likely to be using an API to request weather data from a remote server. The server then sends the data back to the app, which displays it on the phone. APIs are crucial for modern software development because they allow different systems to work together seamlessly.

iXBRL Inline eXtensible Business Reporting Language. A form of XBRL which allows computer-readable tags to be attached to an electronic file which can also be read by people on screen or in printed form.

JSON JavaScript Object Notation. A data-interchange format used in APIs for efficient, secure, and user-friendly data transfers, enhancing developer and user experience and transitioning from older XML services.

Schema Documentation that defines the format, structure, and data types required for a particular JSON/XML online service, ensuring software provides consistent and accurate data validation and integration.

XBRL eXtensible Business Reporting Language. A standard for reporting financial data that uses labels or 'tags' that computers can interpret.

XML eXtensible Markup Language. A flexible text format used for structuring data in a way that both humans and machines can easily read and write. It is similar to HTML but is designed to store and transport data rather than display it.

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Executive summary

The start of the 21st century is when software came to the fore as the means of filing tax returns with HM Revenue & Customs. Businesses, tax agents and HMRC's two predecessor organisations had of course used computers to keep their records and manage the tax system, but the development of filing by internet started to transform tax reporting. Self Assessment (the personal tax return) started in 2000-01, followed by VAT and the end of year PAYE return.

Today all VAT, PAYE and Corporation Tax reporting is online, along with almost all Self Assessment returns¹. HMRC provides digital online filing for many other taxes, too. Third party software is used for about 90% of all tax filings, with Self Assessment being the only major service where the HMRC portal is the main way filings are made.

There is a wide range of different types of software. In some cases, enterprise systems used to support running the business have a secondary tax reporting function, for example where VAT reporting has been added to meet Making Tax Digital for VAT. In other cases, tax software is focussed on preparing and submitting a return, where the challenge may be how to link to separate accounting systems. Tax agents have available to them software which may be used for client management, as well as tax return preparation and, in some cases, accounts preparation. HMRC's Making Tax Digital initiatives have meant that some software developers have built tax functionality on top of what might be primarily seen as an accounting database, with management of the business as its prime function.

The breadth of software available is a tribute to the innovation of the software development industry, as it has sought to develop solutions for a wide range of different scenarios and taxes. It is also a tribute to HMRC's contribution in making available more and more potential filings through software.

This report mainly considers software used for VAT, Income Tax (Self Assessment and MTD) and Corporation Tax. It does not specifically cover PAYE software, or customs duty, which are two other large categories. Nonetheless, it is hoped that the report's broad conclusions and recommendations will be relevant to all software used to provide information to HMRC, or to file returns.

Security and fraud prevention is a vital part of today's connected world. HMRC pays great attention to this, but comments on this area are beyond the scope of this report.

It must be acknowledged that digital capability and responsibilities sit alongside non-digital returns and other tax filings, as HMRC has legal obligations in respect of digitally excluded people. Whilst there are relatively few taxpayers in this important category, there is a much greater number of taxpayers who would benefit from support in using digital means².

This review aims to discuss the standards required of software and the responsibilities of HMRC, software providers, agents and taxpayers, and put forward recommendations and considerations for all those involved. The report is not specifically about Making Tax Digital for Income Tax, although the imminent use of software by some 2.7 million individuals to report their income from self-employment and property rentals is a useful catalyst for considering a new approach to software standards.

¹ Subject to continuing paper returns for those digitally excluded and some filing exceptions for Self Assessment. Digital exclusion covers those who cannot use digital filing for capacity or religious reasons, as well as those without access to internet connections.

² It was estimated in 2020 that about 8% of UK adults were digitally excluded, with 22% requiring some digital support [HMRC research report 580: Assisted digital and digitally excluded support needs](#). See also <https://www.lloydsbank.com/consumer-digital-index.html> in which it is estimated that 32% of UK adults have low or very low digital capability, although the number of people digitally disengaged has steadily decreased. Lloyds estimated that in 2024 just 3% (1.6 million) people are offline, 3.9 million fewer than in 2016.

Recommendations

HMRC should set additional standards for software used to file tax returns

1. **We recommend that HMRC should take a more active role in setting standards for software used to file tax and duty returns.** Given the increasing volume of software used by an ever-growing number of taxpayers – and HMRC’s desire to increase its digital services - such a role would not only comprise setting standards for software providers but also monitoring compliance with those standards; HMRC should not simply accept assurances from software providers. It would be helpful if HMRC adopted a single set of terms of use for all software – and ensure that all software, including older products, is subject to those terms.

HMRC should adopt a single set of core standards, with additional standards added for particular markets and the type of software involved. The range of standards and monitoring should take account both of risks to the tax system and HMRC’s perceived responsibility to individuals and micro-businesses, who are less likely to have the competence to evaluate and understand the complexities of software. Standards should include technical issues, as well as controls over advertising claims. Suggested areas for standards are set out at 1.19 to 1.22.

2. **We recommend that HMRC should take the lead in setting standards for holding taxpayer data.** As more software is becoming cloud-based, as opposed to being hosted by the users on their own computers/servers, more consideration should be given to data standards. It is vital both for taxpayers and for HMRC that access to underlying data is not lost, whether through the use of unique formats, or possibly due to technology or business failures. Portability of data between different software providers should be a standard to enable changes between providers to be made as easily as possible. Encouraging innovation may mean greater risk that a software provider could fail. It is recommended that HMRC discuss data standards with the software industry with a view to agreeing and then mandating standard formats to preserve data access.
3. **We do not recommend that tax software developers be included in possible regulation of tax agents and tax advisers.** Software developers are typically not agents or advisers (although in some cases other parts of their business may be agents/advisers), and regulation designed for tax agents and advisers is unlikely to be directly relevant. Setting a wide range of standards for software, enforcing those standards and being clear about the consequences for breach should help manage risks associated with software. HMRC should require registration of software companies and consider their approach to key owners/directors. It would be helpful to publish the list of registered software developers.
4. A key risk for tax compliance is the bookkeeping competence of the individuals responsible for data entry. Accounting is a skill, which requires training, and is not simply managed by good software design. **HMRC should give consideration to how best to understand the competence of individuals who maintain their own accounting records in software**, as lower competence may give risk to inaccuracy and higher tax risks.

Setting standards for individuals undertaking bookkeeping on which submitted accounts for tax are based (for example, membership of a professional body, or passing a test) is common in other countries, including much of Europe and, closer to home, Guernsey.

HMRC’s interaction with software developers

5. **We recommend HMRC should strengthen the support to and close working with software developers, boosting the upstream compliance and customer experience benefits of accurate software products.**

HMRC should boost the size of its dedicated team (including technologists) working with software developers. Software providers who sell commercial software should all have a designated contact responsible for managing the relationship. Increased online guidance, potentially including AI-assisted chatbots for routine questions, would free up HMRC resources to deal with more complex matters.

6. **We recommend that HMRC make more use of joint working and co-creation.** There would be benefit to HMRC, taxpayers and their agents and software houses if HMRC were to work more closely with software developers when legislative or administrative changes are made or new systems introduced. Some software developers have high levels of tax expertise and are keen to work with HMRC at an early stage to ensure that changes made to the systems are workable.

There are examples where HMRC has not given sufficient notice of technical changes such that there is not enough time for developers to make changes to software and then make the updates available to a wide range of users. In some cases, changes did not work as intended, so that further changes were needed, particularly affecting Corporation Tax and Self Assessment and recently Basis Period Reform. The example put forward by HMRC's Administrative Burdens Advisory Board in its 2024 annual report, of payrolling benefits from 2026, is also relevant.

7. **We recommend that HMRC adopt a policy of making APIs available for as wide a range of functions as possible.** HMRC acknowledged in its 2015 application programming interface (API) strategy the benefit of making APIs available to software developers so that they could build more software to connect to HMRC services. However, a common theme from software developers was that more APIs could and should be offered externally. It is acknowledged that this carries a cost, but this will be outweighed by the growth in the software market, likely to improve the quality of tax filings. Externally available APIs should be the default. It is important that HMRC continues to develop APIs for those not in MTD for Income Tax who will still file a Self Assessment return.
8. **We recommend HMRC should provide information about service availability through an API,** to allow software to notify users of unexpected issues arise and planned changes.
9. **We recommend that HMRC create a means through which difficult cases and software issues can be discussed** between the software developer, HMRC teams and the agent/taxpayer whose filing is causing the difficulty (para 2.36).

Other matters for HMRC consideration

10. **We recommend HMRC should ensure it has sufficient capacity to receive all tax returns, especially taking account of peak submissions up to filing deadlines.** Many agents and software companies commented on the apparent lack of capacity at peak times to receive Self Assessment and Corporation Tax returns, which could mean that submissions took several hours.
11. It would also be helpful to give greater clarity over who an agent should contact where there is an issue with HMRC software (developers have their own route).
12. Increasingly software is used to support part of a tax return, but without being involved directly in filings to HMRC. In specialist areas such as capital allowances and Research & Development expenditure credits, software could be used to deliver outputs for inclusion in a return without HMRC being aware of it. Artificial intelligence (AI) could be used, which may be an overall benefit, but not if HMRC and taxpayers are not aware of its use and cannot consider safeguards. HMRC should give consideration to requiring disclosure of any supporting software.

13. **We recommend HMRC should continue its work to make as much tax data as possible available to the taxpayer, their agents and software developers** (including through the online tax accounts, the HMRC app, and APIs) and ensure that this information is provided in as clear a way as possible (para 4.35). Providing details of the taxable amount of the State Pension and Child Benefit (since both are different from the cash receipts in the tax year), pension contributions and excess reportable income for offshore funds would be of great assistance. In future, pre-population of data beyond PAYE data would help.
14. **We recommend that HMRC consider expanding its education programme into further education colleges and other higher education** to help potential taxpayers understand their responsibilities and learn about bookkeeping and related taxation.
15. **We recommend HMRC should consult on a range of easements to make it easier for micro-businesses to account for their transactions, reflecting the way in which digital accounting systems will receive data.** For example, VAT receipts are not always provided as a matter of course and obtaining these adds to the administrative burden. HMRC should consider accepting a wider range of invoices for VAT purposes, such as itemised till receipts from retailers (with a monetary cap to minimise risks).

HMRC could also consider allowing the recording of net payments from known (and specified) platforms, where deductions simply reflect platform commission and are below a certain level. This would make it easier to record sales net of platform charges, potentially by taking the data from a business bank account.

16. **We recommend that HMRC add commentary to the Compliance Handbook on when a taxpayer would be accepted as taking reasonable care** where reporting errors occur wholly or partly due to software. This should be kept under review to reflect technology developments, including AI.

Software developers

17. **We recommend that developers should provide greater levels of tailored support for their customers, recognising the wide range of knowledge across taxpayers. This is particularly relevant for packages likely to be used by individuals.** Developers could consider asking users to self-assess their experience and competency in using bookkeeping and tax software, so that those with limited experience received additional help built into the software, which would not be needed by more experienced users.
18. **We recommend that packages aimed at individuals and very small companies should have additional error prevention measures built in.** The most common error we encountered in researching this report is double counting purchases through both downloading bank data and also entering purchase invoices. This could be prevented with controls over matching and the possible use of AI to prompt users to clarify similar or identical amounts. Misclassification for VAT is another area where greater help could be given. We understand that some software may be developing error checking approaches, but it is sufficiently important for the large population about to join MTD for Income Tax that it should be considered as a standard.

Issues for tax agents and taxpayers

Chapters 3 and 4 highlight issues relevant to tax agents and to taxpayers. Actions to manage these issues are included in the recommendations for HMRC and for software developers.

Chapter 1 – HMRC and tax software

Overview

HMRC sets the context in which software products that perform tax functions are created and used. From the initial development of the software, through recognition and onto use by taxpayers and agents, the software developers must create products that align with the rules and infrastructure created by HMRC and must liaise with them in resolving difficulties arising.

This chapter first sets out the history of online tax filings by software, touching on Making Tax Digital (MTD) for Income Tax as part of the future direction, before summarising HMRC's software strategy and discussing their standards for software developers and the recognition process for products. We go on to explain in outline how the data is transmitted from the software products to HMRC's systems before covering the expected development of HMRC Assist.

History of online software filings for tax

- 1.1. HMRC is engaged in a very long process of digitisation of the tax system. Some taxes have been computerised since the 1970s, with VAT and PAYE being early examples of the move from paper to computerised technology. Tax software has been used by agents and individuals for the preparation of returns since the late 1990s, when Income Tax and Corporation Tax moved to self-assessment, and internet filing has been available since the early 2000s (succeeding electronic lodgement launched in 1997).
- 1.2. Following Patrick Carter's Review of Payroll Services in 2001³, the Government announced a three-stage move to universal online filing of employers' end of year returns. The first stage, for large employers, was implemented in Spring 2005 and there was a dramatic increase in the use of the PAYE service. Financial incentives were offered to smaller employers to move to online filing ahead of the planned requirement for them to do so - 65% of small employers took advantage of this in 2005.
- 1.3. An electronic VAT return was first introduced in 2001 and 10% of VAT traders started to make returns online once an improved online VAT service was launched in 2004. Mandatory online filing for VAT started in 2010, with a two-year deferral for the smallest businesses. Until the introduction of Making Tax Digital for VAT in 2019, almost all traders used the HMRC online portal to submit their VAT returns, typing the necessary figures into the required nine boxes. Businesses will have used their accounting systems to prepare the basic VAT return, often using spreadsheets to compile a group return or calculate VAT adjustments, such as when the partial exemption rules apply. The change when MTD for VAT was introduced was that it requires digital links between the trader's records and the VAT return, so there is no retyping of figures.
- 1.4. Following a wider review by Lord Carter,⁴ the Government introduced mandatory online filing for Corporation Tax from 1 April 2011. This included filing accounts "tagged" with iXBRL, labelling key data in machine-readable form, enabling them to be read electronically and the data analysed by HMRC.
- 1.5. HMRC published a Digital Strategy⁵ in 2012, setting out a move to its services being Digital by Default. It is now nearly halfway through the period of its 2020 10-year strategy, 'Building a trusted, modern tax administration system'⁶, which sees digital transformation as the way to better customer service and the tax system working better in real-time. Customer online accounts are part of this, as is the 'Making Tax Digital' programme. Not all taxes are yet being

³<https://citeseerx.ist.psu.edu/document?repid=rep1&type=pdf&doi=7ad91d33c34209ca9920fffb458ffd44975f7cbb>

⁴<http://web.archive.org/web/20060620165554/http://www.hmrc.gov.uk/budget2006/carter-review.pdf>

⁵<https://assets.publishing.service.gov.uk/media/5a7e2ae740f0b62305b813bd/2012-digital-strategy.pdf>

⁶<https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system>

digitised: Inheritance Tax, for example, remains paper-based, although the 2024 Autumn Budget announced that it will move online in 2027⁷.

- 1.6. HMRC holds the digital infrastructure of the tax system, but it does not supply online filing tools for all taxes and services. Its most important online service is Self Assessment (Income Tax and Capital Gains), which was introduced in 2000-01. Today, just under half the returns filed online use the HMRC portal, i.e. are filed directly through the HMRC website without the use of filing software - see Appendix 3. HMRC also supplies the Capital Gains Tax on UK Property Return⁸ for reporting disposals of residential property and paying the capital gains tax due (there is currently no commercial software to do this), and it operates an online claim mechanism for Gift Aid reclaims⁹. HMRC supplies Basic PAYE Tools, which is desktop software used by about 11,000 employers with fewer than 10 employees to calculate and report PAYE.
- 1.7. Filing Corporation Tax online was introduced in 2003 and HMRC now provides a service (Company Accounts and Tax Online - “CATO”) for private companies without an audit to file their accounts with Companies House and their Corporation Tax return in a single filing¹⁰, although this has a number of limitations as to which companies can use it¹¹. The CATO service is to be withdrawn after 31 March 2026¹² and third-party software will be required by all companies to file their accounts and tax returns with HMRC. Companies House has also announced that its WebFiling service for accounts will be withdrawn, and software will be required, although no date has yet been given for that change¹³.
- 1.8. Across all HMRC online services, about 89% of filings are now facilitated by third party software, which may calculate tax-adjusted figures for returns and also provide some form of electronic filing functionality. Commercial developers introduced online filing functions in Self Assessment software and Corporation Tax software once HMRC opened the services. Such software already existed and was used by tax agents and (mainly corporate) taxpayers to prepare returns submitted by post.
- 1.9. Not every piece of tax software necessarily supports online filing of the information entered. For example, although Inheritance Tax is not currently digitised, there are nevertheless software packages that support agents and executors in completing the relevant forms. The main focus in this report, however, is software which supports some form of online filing through a service provided by HMRC.

Making Tax Digital (MTD)

- 1.10. MTD is a programme through which taxpayers will be required to keep digital records and report to HMRC via digital links. MTD for VAT is now established and compulsory for all 2.2 million¹⁴ VAT-registered traders (other than those digitally excluded). MTD for Income Tax is to be gradually mandated for business and property income from April 2026. Software products have been and are being developed to support the rollout of MTD.

⁷ <https://www.gov.uk/government/publications/autumn-budget-2024/autumn-budget-2024-html> “**Inheritance Tax digitalisation** – The government will invest £52 million to digitalise the inheritance tax service from 2027-28 to provide a modern, easy-to-use system, making returns and paying tax simpler and quicker.”

⁸ <https://www.gov.uk/report-and-pay-your-capital-gains-tax/if-you-sold-a-property-in-the-uk-on-or-after-6-april-2020>

⁹ <https://www.gov.uk/claim-gift-aid-online>

¹⁰ <https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts> - see para 7.2. It is understood that around 280,000 companies use this service.

¹¹ <https://www.gov.uk/guidance/corporation-tax-use-hmrCs-free-filing-software>

¹² [Closure of the service to file your company accounts and tax return - GOV.UK](#)

¹³ [The online accounts and Company Tax Return service is closing - GOV.UK](#)

¹⁴ <https://www.gov.uk/government/statistics/value-added-tax-vat-annual-statistics/annual-uk-vat-statistics-2023-to-2024-commentary>

- 1.11. The underlying aim of MTD is to help reduce the tax gap¹⁵.
- 1.12. Around 780,000 taxpayers are expected to join MTD for Income Tax from April 2026, a further 970,000 from April 2027¹⁶ and another 950,000 from April 2028¹⁷. This is expected to leave about 4.5 million self-employed individuals and landlords outside MTD. MTD for Income Tax is covered in more detail at 4.38 to 4.46.

HMRC's current strategy – third party software

- 1.13. HMRC has a specific third-party software and API strategy¹⁸, published in 2015, which sets out how it supports and promotes the market in third party software. HMRC has stated that it does not intend to develop new software for taxpayers, instead relying upon commercial developers to meet market needs.
- 1.14. One of HMRC's key objectives is to support the market in third party software that is available to support tax filings, and they aim to do this in three ways:
 - grow the market: improving HMRC's offer to developers, increasing collaboration and encouraging new ones into the market
 - stimulate demand: developing increasing numbers of APIs, enabling developers and other Government departments to provide better software with a wider range of functions and service
 - increase efficiency: enabling pre-population and reducing errors at filing stage to help taxpayers get things right first time
- 1.15. HMRC sees MTD as a key opportunity to encourage new, innovative developers into the market. As of June 2025, HMRC lists 27 available software packages for MTD for Income Tax and 11 in development¹⁹. The range includes 'end to end' software for individuals; bridging software to link from record keeping software and make the necessary filings; software for landlords; and software specifically for tax agents.
- 1.16. HMRC provides approximately 106 APIs for online filing of tax information (see Appendix 1). These integrate with over 2,500 products, approximately 1,100 of which are commercial products, listed on the GOV.UK pages as HMRC recognised. It is understood that there are now over 4 billion API data transfers annually.
- 1.17. The services provided are listed on HMRC's website²⁰ and span most of HMRC's areas of responsibility, from Income Tax and VAT to many customs and duty systems. HMRC's software services are provided under two categories. Some services, mostly those that have been in place for some time, are structured using XML - see 1.34 to 1.37. Other, mostly newer, services make use of secure APIs to connect directly with a structured data flow, often using JSON - see 1.38 to 1.40.
- 1.18. The list of those software packages recognised, for each tax or duty where recognised providers are published, is provided on HMRC's website²¹ - see Appendix 4. The recognition process is discussed at 1.26. The software providers recognised by HMRC are not all listed on HMRC's website, as some choose not to be listed (if, for example, they are an in-house provider of software just to their own business). HMRC lists 453 VAT software packages, of which there are 364 providers of software compatible with record-keeping and VAT return submission, as

¹⁵ <https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital>

¹⁶ <https://www.gov.uk/government/publications/extension-of-making-tax-digital-for-income-tax-self-assessment-to-sole-traders-and-landlords/making-tax-digital-for-income-tax-self-assessment-for-sole-traders-and-landlords>

¹⁷ <https://www.gov.uk/government/publications/modernising-the-tax-system-through-making-tax-digital>

¹⁸ <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>

¹⁹ <https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax>

²⁰ <https://developer.service.hmrc.gov.uk/api-documentation/docs/api>

²¹ <https://www.gov.uk/government/collections/commercial-software-developers>

well as 166 bridging packages (software which takes outputs from accounting software or spreadsheets to submit returns)²². 27 providers are listed as providing free software although only a handful are free beyond an initial return or two. It is understood that there are also several hundred individual packages recognised by HMRC for submitting VAT returns which are not available commercially, as they are developed by individual companies to link to their accounting systems.

Standards for Software Developers

- 1.19. Currently, HMRC sets out minimum functionality standards for some of its services²³ and requires developers of certain services to adhere to terms of use (see 1.27) but has no wider standards for software developers analogous to the standard for agents²⁴.
- 1.20. HMRC is working to develop further, more extensive standards, for software developers, including developing standards for providers of MTD for Income Tax software. These are more complex, since they need to accommodate a wide range of accounting software (and indeed spreadsheets). The MTD for Income Tax standards include a definition of the minimum functionality required, including a requirement that software either provides users with an estimate of tax due based on in-year income (calculated by HMRC) or directs them to HMRC's online services. They also include further standards for additional functions which software developers may choose to include.
- 1.21. We recommend that HMRC publish its new standards to make them readily accessible to all taxpayers and work to broaden taxpayer understanding of software standards.
- 1.22. Areas which we recommend be considered in developing the full standards across all services include the following. Some of these are included in the terms of use to which developers of certain services are required to sign up (see 1.27), but this list is more wide-ranging in scope:
 - registration of software developers, including change of ownership
 - data standards, including GDPR compliance
 - description of the software product(s), including version number and notification of major updates, including change of ownership
 - advertising
 - error prevention measures
 - notification of use of specialist software to provide figures and descriptions for elements of a return, for example if specialist capital allowance software has been used to create the schedules and return entries
 - notification of use of AI, for example in data analysis and decision-making on tax treatment
 - improvements to existing security requirements
 - ensuring that the taxpayer has fully approved the content of returns and supporting documents
 - use of 'nudges' from HMRC
 - consequences of failure to meet standards, including appeal routes

External Software Integration team

- 1.23. HMRC supports software developers through a dedicated team: the Software Developers Support Team (SDS Team), part of the wider External Software Integration (ESI) team, which also includes Digital Relationship Management. This team provides dedicated relationship

²² Find software that's compatible with Making Tax Digital for VAT - GOV.UK (www.gov.uk)

²³ <https://developer.service.hmrc.gov.uk/guides/income-tax-mtd-end-to-end-service-guide/documentation/how-to-integrate.html#minimum-functionality-standards> – example standard for MTD for Income Tax

²⁴ <https://www.gov.uk/government/publications/hmrc-the-standard-for-agents/the-hmrc-standard-for-agents>

managers for the largest and most significant software providers, plus a mailbox for queries from all developers.

- 1.24. The ESI team is responsible for on-boarding of all third-party products, aiming to ensure seamless integration with HMRC's systems and adherence to technical standards. They are also responsible for administering the software recognition process through which products can become listed on GOV.UK.
- 1.25. Once the software has been developed, the SDS team are the key point of contact between HMRC and software developers for queries arising in the day-to-day operation of their software or development matters. This includes tax technical queries (where they will seek advice from HMRC's tax specialists), checking that year-on-year updates are implemented by the software and helping with IT issues and debugging errors encountered with real-life submissions.

Recognition of software products by HMRC

- 1.26. HMRC does not review third party software in detail and does not require the product itself to be provided to it as part of the recognition process, although a product demonstration may be requested. For API services, software developers must register with HMRC²⁵ before they begin to test their product. XML services can be tested without registration, though if the developer wishes to achieve voluntary recognition, they must work with HMRC to achieve this. This work is covered by HMRC's ESI team. Software providers can access the test servers and scenarios either via HMRC's website or through the SDS team. The software provider is required to successfully submit a number of test scenarios provided by HMRC to the appropriate test service and then send the test file outputs to the SDS team for review.
- 1.27. Before their software can be included on HMRC's list of recognised products, a software developer must sign up to HMRC's terms of use²⁶ for API products (see 1.32 for more on XML services in this context). This includes commitments to follow Advertising Standards Authority codes, to describe the software only as 'HMRC recognised' and not 'accredited' or 'approved', as well as commitments around GDPR and data security. HMRC will not provide recognition until the developer confirms that all conditions of the terms of use are met.
- 1.28. HMRC sets out what will happen if a software provider does not meet the terms of use after its product has been recognised. The software developer will have the opportunity to make changes, and HMRC will work with them to ensure that the terms of use are met.
- 1.29. If the terms of use continue not to be met, then HMRC would remove recognition of the product and refuse the developer access to any other APIs until the issue is corrected.
- 1.30. HMRC's ESI team doesn't constantly monitor products for compliance with the terms of use, but users of the product, or other interested parties (e.g. competitors and professional bodies), can contact HMRC with concerns. End user customers do this through the usual customer service channels. HMRC say that this gives them good confidence levels that serious violations will be picked up and brought to their attention promptly.
- 1.31. Ultimately HMRC have the power to withdraw recognition and remove access to APIs, though of course this would have significant impacts on the developer and their customers. While we are not aware of any instances where this has happened, the impact on users could be very significant, especially if it were to happen close to a filing deadline. See 2.23 to 2.26 for more on data transfer when changing tax software product.
- 1.32. XML services were developed before the terms of use were created, so there is currently no formal agreement under which software developers are voluntarily recognised. This is something that HMRC have told us they are looking to change. HMRC can, however, remove recognition status of a product or deny access to its users, although this needs to be done on an

²⁵ <https://www.gov.uk/government/collections/register-as-a-software-developer>

²⁶ <https://developer.service.hmrc.gov.uk/api-documentation/docs/terms-of-use>

individual user basis. In theory, if the developer also has products which use the APIs, HMRC could also deny the developer access to those.

- 1.33. We recommend that the terms of use and associated safeguards which apply to API services should be extended to the older XML services, improving alignment and the level of oversight provided by HMRC.

XML Services

- 1.34. Self Assessment and Corporation Tax returns submitted to HMRC by software do not look like a paper copy of the return. Instead, the entries are turned into a computer-readable format – XML. The submitted return is thus an XML stream, which identifies the fields and their entries²⁷. Tax return software will usually render this into an electronic copy of a paper return, so it can be reviewed and approved for submission by the taxpayer. There is detailed guidance provided for software developers for each specific HMRC service²⁸ a list of which is in Appendix 1.
- 1.35. An XML document is a structured list of data, with each item of data labelled by a ‘tag’, and the structure set by the schema for the service in question. The XML document sent to HMRC will include tax return information plus any PDF attachments. The document is then sent over to HMRC, which accepts the contents and absorbs them onto its systems. An XML filing can be understood as being analogous to a paper filing in that all of the information is brought together in a single ‘envelope’ which is then opened and taken down into the system. This contrasts with the more interactive nature of API filings (see 1.38).
- 1.36. Legislation²⁹ provides that the online submission held by HMRC is presumed to be correct unless the taxpayer can prove otherwise. HMRC’s online services and third-party software thus need to provide a mechanism to aid a taxpayer to prove whether or not the submission held by HMRC is indeed the submission they sent. The generic IRmark – a unique computer-generated reference, based on the actual return³⁰ - and Digital receipt service for online internet submissions provides this mechanism³¹ for older services, such as Self Assessment and Corporation Tax. The IRmark service essentially consists of:
 1. the client-side generation and server-side validation by HMRC of a secure hash (IRmark); and
 2. the generation of a Digital receipt from HMRC that will be returned to the submitter, which:
 - will confirm acceptance of submission
 - will confirm the validity of the submitted IRmark string
 - will contain HMRC’s Digital certificate, so that the signature can be verified by a third party
 - will contain a service-specific message
- 1.37. HMRC lists 40 providers of Self Assessment return software³². In addition to setting the format of the data submitted, and the IRmark, HMRC requires that third party software uses HMRC’s tax calculator – even in the small number of cases when it may be incorrect. HMRC also lists 34 providers of Corporation Tax return software, with others undertaking iXBRL tagging of accounts³³.

²⁷ [Basic guide for XML software developers - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

²⁸ [Software development for HMRC: detailed information - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

²⁹ The Income and Corporation Taxes (Electronic Communications) Regulations 2003
<https://www.legislation.gov.uk/uksi/2003/282/made> regulation 6

³⁰ An IRMark is a long stream of letters and numbers e.g. F5KCDM4DZDVXJDOOPCUN6CMJCY7VD

³¹ <https://www.gov.uk/government/collections/hmrcirmark-support-for-software-developers>

³² <https://www.gov.uk/government/publications/self-assessment-commercial-software-suppliers/self-assessment-online-commercial-software-suppliers>

³³ [List of commercial software suppliers for Corporation Tax - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

APIs

- 1.38. Modern software uses APIs to connect systems to receive and transmit data. HMRC operates many APIs to exchange data between its own systems and also with other government departments. It also makes API access available to third parties, in line with its API and third-party software strategy (see 1.13 to 1.18).
- 1.39. APIs include TLS (Transport Layer Security), which is a protocol that ensures secure communication over a network. It does this by encrypting the data being transferred, so third parties cannot see it. It also authenticates the parties involved, making sure they are who they claim to be, and verifies the integrity of the data to ensure it hasn't been tampered with. Additionally, OAuth³⁴ adds another layer of security by using tokens to verify the identity and permissions of a client application, providing secure access control beyond just encrypted communication. Consequently, no equivalent to the IRmark is needed for data transmitted by using APIs.
- 1.40. More modern services use APIs to connect to HMRC and then submit the necessary formatted data. Some services use APIs to receive data from HMRC. If a simple XML submission is like sending an “envelope” of data to HMRC, an API transaction is like a telephone call or other interactive engagement, where data is exchanged in the process of transmission. The data exchange needs to be tagged, so that it can be read by the recipient service. Typically, HMRC’s newer services use JSON³⁵ for this tagging. One important advantage of these services is that data can flow to and from HMRC.

Filing capacity at peak periods

- 1.41. A number of agents and software developers told us that HMRC’s systems do not have enough capacity to support filing personal tax and Corporation Tax returns close to key deadlines. This means that it can take several hours from filing a return to learn whether it has been successfully received. Filing on time is important; not only are there penalties for late filing but the period for HMRC enquiry is also extended and some claims have deadlines that cannot be extended. See 3.67 to 3.72 for discussion of the agent impact of these delays and 4.47 to 4.55 for the impact on individuals. There did not seem to be similar issues with filing VAT returns. Although the numbers of VAT returns are lower, they are usually filed in a short period every month or quarter. It is recommended that HMRC invest in greater capacity to receive returns. This should include the forthcoming MTD for Income Tax returns, which are likely to be filed at the same time as most VAT returns each quarter.

Future development plans: HMRC Assist

- 1.42. HMRC intends providing a service to be known as HMRC Assist to prompt MTD for Income Tax users to consider tax-specific matters and prevent potential errors. HMRC would like software providers to build this into their products, at the option of the provider. HMRC Assist would enable HMRC to deliver specific nudges directly to taxpayers and their agents at the time they are using software to provide their tax filings. The prompts may also be delivered via HMRC’s online portal.
- 1.43. This is at an early stage, but the software developers we spoke to could see how it might be of benefit, particularly to unrepresented taxpayers, provided that the prompts covered the sort of common error that someone unfamiliar with tax and accounting might make (for example, whether an item is business spend at all, and if it is whether it is capital or revenue). Agents were interested but considered that their existing review procedures should pick up errors; they were interested in how HMRC Assist might be used to flag risks which HMRC would be looking for in selecting returns for enquiry, so they could be addressed before submission.

³⁴ An open standard for secure access delegation <https://en.wikipedia.org/wiki/OAuth>

³⁵ <https://en.wikipedia.org/wiki/JSON> (the article has a comparison with XML)

- 1.44. Agents and software developers alike would like to be able to switch off the HMRC Assist function or input an appropriate experience level to reduce the number of prompts, to avoid the HMRC prompts slowing down the preparation of tax returns.
- 1.45. We recommend that HMRC work with software developers, agents and others in a co-creation process to understand the best way to design HMRC Assist to the benefit of all parties.

Chapter 2 – Software developers

Overview

Although software developers and their products have become key players in the tax compliance ecosystem, they have largely escaped study in that context before now. Their customers are the individuals and agents who make tax filings, while their products are created to meet both the specific requirements set by HMRC and the needs of their customers. This creates a complex set of demands, met in a myriad of different ways by many hundreds of separate developers.

This chapter reviews the shape of the market and type of products available before moving on to look at some of the key issues affecting tax software developers: responsibility for tax accuracy, the move to the cloud, facilitation of users switching software products, interactions with HMRC and the implications of wider work on the regulation of the tax profession.

Tax software market and products

2.

2.1. The market in tax software is disparate, with a wide range of products and providers serving the needs of taxpayers and their agents across the range of HMRC's online services.

2.2. Broadly there are four types of products, though with some overlap between them:

- specialist tax software. This can be broken down into three categories:
 - a) in-depth products which cover the largest percentage of tax rules, including specialist areas needed only by the largest or certain niche customers. These may be used by in-house teams (for business taxes) or by agents (for all taxes). These products include dedicated tax professionals in their development teams and serve the largest corporates and the biggest agents. Generally, these products do not interface automatically with accounts software or other record-keeping products, though there are proprietary solutions to streamline this process by transferring data by way of structured data file export and import. Payroll software may fall into this category, noting that some businesses manage their own payroll, whilst others outsource this to payroll agents.
 - b) basic calculation or filing-only products. These may be aimed at individual taxpayers seeking to file their self-assessment, or at businesses filing CIS, or other specific forms. This category also includes VAT bridging software: products which file data from the system of the VAT-registered trader, or a spreadsheet containing VAT data, directly into HMRC's system.
 - c) software which manages specific areas feeding into tax returns, but which does not file directly. Examples could be capital allowance, or R&D software.
- integrated tax and accounting product suites written for use by tax agents. These may or may not be fully integrated from book-keeping through management and statutory accounts to tax calculations, but they have a single platform and client management database and are designed to offer a reasonably seamless experience. Some agents may use a separate accounts system which then links to the main tax management system
- 'all-in-one' products for small business: record-keeping products with some tax functionality. These generally combine book-keeping functions with invoicing and other features to enable the user to run their business finances from the app, with integration for MTD filings. Some accounting products for charities include donor management and gift aid submissions instead of MTD functions
- accounting software used to help run the business, often focussed on specific industries or on larger scale businesses, with limited VAT filing functionality. It is possible that some of these products may be able to meet the quarterly filing obligations in MTD for

Income Tax, although they may not be able to perform the year-end obligations (mainly because their developers are focussed on business management, rather than tax).

- 2.3. HMRC does not provide any stand-alone software itself, aside from the longstanding Basic PAYE Tools (see 1.6- to 1.7 for web-based services provided by HMRC). The government's strategy for MTD for VAT and for Income Tax is to encourage the market to provide free software³⁶, though most software is not free. Those products that do offer free service generally provide a service limited, for example, by size, types of income, or for a time period.
- 2.4. The range of providers of tax software is diverse. Some tax software is produced by large accounting software providers or information providers; numerous other packages are provided by smaller companies, many owner-managed. Some professional services firms also produce their own software. There is a wide range of bridging, or filing, software to aid VAT filing.
- 2.5. Some of the specialist tax software has been around for many years (since the late 1990s) and has interfaces dating from the style of that time. Newer products have generally been designed around cloud functionality and with more modern standards of user interface, which may be more accessible for non-expert users.
- 2.6. The delay to MTD for Income Tax from 2024 to 2026 caused difficulties in the market for software for this function as some companies had invested heavily in development ahead of the originally planned 2024 mandation but the delay meant that revenue would not be coming in to repay that investment until 2026. This had a particularly adverse impact on small, innovative companies which had entered the market on the basis of building entirely new MTD products. A few companies withdrew from the market or merged with others, as they did not have the existing client base of longstanding developers.
- 2.7. Agents often use a range of software products, as discussed at 3.6 to 3.15, and providers are in competition, of course. However, developers also communicate and take up common issues with HMRC through HMRC's Strategic Software Forum³⁷. Some are also members of the Business Application Software Developers Association (BASDA) and co-operate through that, with a small number of representative firms sometimes leading discussions with HMRC for all BASDA members. BCS, The Chartered Institute for IT, also plays a role, although it is worth noting that there is no body or bodies which represent all software developers. Software providers' main interface with HMRC is through the External Software Integration Team (see 1.23 to 1.25). Further discussion on this can be found at 2.27 to 2.36.

Responsibility for accuracy of software

- 2.8. In law, the taxpayer is responsible for the accuracy of the information they supply to HMRC, and a part of the submission process is a declaration by the taxpayer that they accept this responsibility, and the return is complete and correct to the best of their knowledge and belief, mirroring the very longstanding such declarations on filings of paper forms. Where an agent carries out the filing, they need to have proof that their client has accepted the declaration as part of their process.
- 2.9. Many taxpayers outsource the preparation of their tax return to an agent, who is very likely to use tax software. Even where the taxpayer prepares their own submission it is very likely that software will be used in the process (aside from Income Tax Self Assessment, where the majority of individuals file via the HMRC portal). From the perspective of many users, the software functions as a 'black box', transforming data input into tax outputs. Usually the outputs are correct (subject to the quality of data inputs), but on occasions there may be a problem with the software, perhaps a calculation issue or an error with the correct completion of the relevant boxes of the return submission. Expert users, such as tax professionals using

³⁶ See, for example evidence from Exchequer Secretary James Murray MP to the Treasury Committee 15 Jan 2025 Q240 committees.parliament.uk/oralevidence/15238/html/ Discussion of the approach to free software or HMRC provided software is not in the scope of this report.

³⁷ <https://www.gov.uk/government/groups/strategic-software-forum>

software to file business tax returns, are naturally more capable of reviewing a return for errors. Individuals without a tax background should be capable of reviewing the input figures they provided but are much less likely to be able to review the outputs. HMRC provide guidance on when they regard reasonable care as being taken and when a reasonable excuse may apply for late filing. However, as discussed in paras 4.47-4.55 below, there is no commentary in relation to reasonable care on when an error may be attributable in whole or part to incorrect software.

- 2.10. HMRC requires that Income Tax return software matches the HMRC calculator and will require that MTD for Income Tax software uses an HMRC-supplied calculator.
- 2.11. Although the software developers work hard to provide tax technically correct products, their standard terms and conditions disclaim liability for the accuracy of the computations and tax filing.
- 2.12. If HMRC were to share some of their risk flagging rules with developers, these could be built into the software products and help to design out errors which might flag a return for possible enquiries. Obviously, many of HMRC's risk flags rightly should remain confidential, but flags around obvious oddities such as huge increases in turnover but no matching increase in profit, or income streams ceasing – which might be errors, tax risks or have a perfectly reasonable explanation – could help developers make their products still more useful to their users.
- 2.13. We found that the question of tax software use by agents, and what happens if there is a problem with this software, is not generally covered in the engagement letters setting out the contractual relationships between the agent and their clients, including standard templates issued by professional bodies. In practice, agents told us that in their dealings with the client they would be likely to take responsibility for the output of the software, and they would then take up any issues with the software developer, as part of their commercial contract arrangements with each party.
- 2.14. Essentially, any problems with the software are seen as a commercial issue – by the software companies and by their agent customers. Agents found there were few problems with the accuracy of the software and would switch products for a variety of reasons, to do with functionality and experience. Inaccuracy of software was not a reason given by any of the agents we spoke to. We did not speak to individual customers but would expect the position to be similar, especially as few individual customers will be tax experts.
- 2.15. If there is a problem, it may be picked up by an agent's review processes, or potentially by the taxpayer, but that would depend on the complexity of the filing, the knowledge of the reviewer and the nature of the problem, some being easier to spot than others. If the problem is spotted before submission, then it would generally be resolved before the submission goes in. However, this is not always possible, such as in the following scenarios:
 - the problem is spotted right up against the deadline and there is insufficient time for the matter to be fixed before submission is due. The taxpayer may choose to file late, but some deadlines cannot be missed like this (e.g. claims which cannot be made late) and the submission may go in with a known problem. This would usually be highlighted to HMRC if an agent were involved, and a reasonable excuse claim made if appropriate.
 - the problem is spotted but the software developer cannot work out why the filing is wrong. We have heard of occasions where this occurs where ultimately the problem was at HMRC's end but it has taken a considerable amount of time and effort to establish this – see 2.35.
- 2.16. It also happens sometimes that the problem is not spotted until after submission. In such a case, if HMRC were to query the point then the taxpayer would generally seek to claim they had taken reasonable care because they had used HMRC-recognised software in the preparation of the submission.
- 2.17. We wondered whether there was any appetite for changing the balance such that software developers were required to take specific responsibility for the tax accuracy of the software. This would be a significant intervention into the contractual relationships between taxpayers,

software providers and tax agents. In general law, consumer protections apply to consumers but not to businesses – and most software use is by businesses. We found that there was not an appetite for change among the agents and professional bodies. They and the software developers felt that the status quo, where problems are dealt with through the commercial relationships and pressures, was working satisfactorily, especially as tax inaccuracies are relatively uncommon.

Desktop versus cloud software

- 2.18. Historically software of all kinds, including tax software, was installed separately on the desktop computer of each user. As internet technology progressed, the software used by multiple individuals within an organisation was installed on a server owned by the organisation, with the data stored on the organisation's servers. More recently products have been created where all the software and data are stored on the "cloud" - remote servers (including operating systems and storage) - managed by a third party and not under the organisation's direct control. Cloud-based software has advantages in terms of ease of automatic updates, backup and expansion, and web-based access from anywhere. However, it changes the risks for the organisations using the products, and for the software providers.
- 2.19. The key advantage of cloud-based software is faster updates for the rollout of urgent changes. For smaller customers without in-house IT departments, it also relieves them of the burden of managing the hardware, updates and IT security around their tax software as this is now all integrated within the software itself. This should reduce the risk of data loss and software corruption, although their reliance on the third party providing their cloud-based tax software increases significantly.
- 2.20. For larger organisations, the balance of risks is different. With desktop installations of software, the organisation controls the updates and rollout of each new version to its users, and it is responsible for its own data. In-house IT capability has meant they are able to manage their own risks.
- 2.21. As software moves to the cloud, the control that the purchasing agent or organisation has over the software rolled out to its staff, and the data, is reduced. The responsibility for the security and back-up/integrity of their data shifts to the software provider. Software updates will apply to all users at the same time, which takes control of the updating schedule away from the agent's internal team and means that timely and full release notes from the software developers become even more critical. The largest agents are looking closely at how to work with their software developer suppliers to manage these shifts in the balance of risk.
- 2.22. Whether software is installed on desktops or on the cloud, a significant risk that users need to be protected from is data loss. This includes protection of data from prior years and earlier filings with HMRC, which needs to be accessible in some way – perhaps by export (see 2.23 to 2.26) – even if the user ceases to use the product or the product becomes unavailable. It also needs to be protected from other data loss risks, including security, failure of hardware/backups, and both software developers and their customers need to be clear on whose responsibility this is and how it will be achieved.

Changing software – data transfers

- 2.23. Although users do not often change software, as discussed at 3.16 to 3.19, there are occasions when changes are made, perhaps for commercial reasons or simply because a software package stops being available.
- 2.24. Most packages will have some sort of export function, generally to a CSV structured text file, and most will be able to import data, including CSV files. This enables some transfers of data between different packages that may be used by the same firm or business, such as importing data from receipts software or when moving data from an accounts package to a specialist tax product.

- 2.25. There is no standard format for data to be stored in the software packages used for tax. As packages are developed independently from one another and often have their own proprietary database structure, there is also no common standard for data export/import to facilitate movement from one software package to another. Currently there is no incentive for software developers to work together on producing a common format for data transfer.
- 2.26. We recommend that HMRC set standards for data loss protection (see 2.22), transferability and portability, making transfers between software packages easier something which is particularly important when a customer is forced to transfer, e.g. when a supplier ceases to exist.

Working with software developers – operational issues

- 2.27. Sometimes the operation of HMRC's liaison with developers can create challenges for software development companies.
- 2.28. Developers told us about three perceived issues:
 - lack of direct access to specialist staff
 - lack of joint development of changes where needed to comply with new legislation
 - resolution of live taxpayer filing problems
- 2.29. Software developers need to update their products for new legislation, often to tight timescales where legislation comes into effect soon after (or even before) Royal Assent to the Finance Act. Legislation varies in complexity but in some cases, particularly in the arena of large corporate tax, it can be extremely intricate. The software developers need to understand each step of the calculation in order to create a logical sequence from data input to tax output. Sometimes the legislation is not completely clear on how to do this in every scenario so the developers would like to be able to ask HMRC's policy/technical team responsible for the legislation for clarity.
- 2.30. We heard that they often find it very difficult to access the level of help and support from HMRC that they need in order to do this. The ESI team act as intermediary in dealing with queries, which can be helpful where the matter is straightforward, but for more difficult issues it can be insufficient for the developers to gain a full understanding. This is especially an issue for the most complex Corporation Tax legislation. The software developers' questions can be very specific and intricate and when they cannot get clear answers from HMRC on the correct interpretation of the matter, they need to make their best judgment as to the correct answer. This could mean that the software package is programmed with an interpretation which does not match HMRC's interpretation, leading to problems further down the line when computations are produced and HMRC raise queries. This is particularly the case on the rare occasions when different development teams reach different conclusions on the correct interpretation of the calculations.
- 2.31. There could be a benefit to broader compliance for HMRC's policy/technical specialists to discuss the interpretation of legislation directly with the software developers, as their software will be scaled across thousands of taxpayers.
- 2.32. There are also benefits in adopting a co-creation approach to development of changes in considering implementation of legislation on tax returns and internal calculators. This would enable HMRC to benefit from software developers' experience in translating legislation to series of computations, while developers would have certainty on the operation of the calculation, giving consistency which would benefit all parties. Tax specialists could also contribute.
- 2.33. Clearly it is not practical for HMRC to engage directly with thousands of developers and we understand there is some concern within HMRC that this could favour particular developers, although in practice it would not be possible for all developers to work on a particular area. To avoid this, access to data would need to be available quickly and equally. This could be facilitated by software developers collating a list of questions, answers to which are shared with all developers, or a conversation with developers as a group, perhaps through a forum set up for this purpose.

- 2.34. Difficulty also arises when a live client filing suffers from what appears to be a software problem between the software package and HMRC systems. In these cases, the ESI team can communicate with the software developer about their product but cannot discuss the client file because the software developer is not an authorised agent for the client. The tax agent/client cannot discuss the matter with the ESI team, but when they try to discuss it with any other helpline (online services helpdesk, general helplines or agent dedicated line) they do not have the level of understanding of HMRC's systems and the interface with third party software to be able to help.
- 2.35. It needs to be established where the problem lies: whether it is with HMRC's system, the software provider or the user, and that can prove near impossible when the three parties cannot all be involved in the investigation. We have heard of cases where these issues have met with a total impasse, and it has proved extremely difficult to find a resolution. They have generally been resolved through informal networks/channels, through the contacts of the professional bodies into HMRC or through other HMRC teams (e.g. Large Business) leveraging internal contacts. The system would be significantly improved if there were a gateway through which such matters could be escalated for resolution. It may be that a future development of the forthcoming multiple agent functionality might support this, if the software developer could be approved as a secondary agent to discuss this specific issue with HMRC.
- 2.36. We recommend that HMRC create a means through which difficult cases and software issues can be discussed between the software developer, HMRC teams and the agent/taxpayer whose filing is causing the difficulty.

Regulation of the tax profession: implications for software developers

- 2.37. HMRC is working on a potential framework for the regulation of the tax profession as a whole. As announced at Autumn Budget 2024, the government will invest £36 million in modernising HMRC tax adviser registration services and mandate registration of tax advisers who interact with HMRC on behalf of clients from April 2026. Following a technical consultation on draft legislation, the government will legislate for this in a future finance bill.
- 2.38. The government consulted in March 2024³⁸ on the next steps in this work, considering options to strengthen the regulatory framework of the tax advice market and proposing that tax agents who interact directly with HMRC should be required to register. However, HMRC suggested that software developers be excluded from this. The consultation document did, however, recognise the role played by software developers in the tax system and referred to Australia's inclusion of software providers in their definition of those providing tax services. It asked specifically whether respondents thought that software developers should be included, but the summary of 426 responses published in October 2024³⁹ does not clearly state (at Q23) whether there was a consensus on this point. The ICAEW thought that they should be included⁴⁰ (paras 14 and 131-135), while the CIOT considered that the question should be kept under review for the future⁴¹ (page 33 and 37).
- 2.39. The most complex tax software products include in their development teams highly qualified individuals who are qualified with and regulated by the CIOT, ICAEW and other professional

³⁸ [Raising standards in the tax advice market: strengthening the regulatory framework and improving registration - summary of responses - GOV.UK](#)

³⁹ <https://www.gov.uk/government/consultations/raising-standards-in-the-tax-advice-market-strengthening-the-regulatory-framework-and-improving-registration/outcome/raising-standards-in-the-tax-advice-market-strengthening-the-regulatory-framework-and-improving-registration-summary-of-responses#summary-of-responses-and-next-steps>

⁴⁰ <https://www.icaew.com/-/media/corporate/files/technical/icaew-representations/2024/icaew-rep-049-24-raising-standards-in-the-tax-advice-market.ashx>

⁴¹ <https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/1b2b8e29-dfb2-4b93-980b-559473e2fc3b/240529%20Raising%20Standards%20CIOT%20Response.pdf>

bodies. This is a commercial imperative: to interpret the most complex tax rules and translate them into software requires expert tax knowledge and analytical skills. However, the development teams of other products may have less tax knowledge in their teams and in some cases may not have anyone qualified in tax. There is obviously a range, depending on the target market of the product and the level of tax complexity with which it grapples.

- 2.40. Currently a customer of a software product who is unhappy with the product's tax accuracy can complain to the software house, and can withdraw their custom, but there are no external standards that covers the quality or accuracy of the products.
- 2.41. We recommend that HMRC consider the right type of standard setting for tax software, as discussed at 1.19 to 1.22, and should not include software within any possible regulation of tax agents and tax advisors.

Chapter 3 – Agents

Overview

Tax advisers, accountants and solicitors routinely file tax returns - or other documents - on behalf of their clients, normally using commercial software.

Agents – apart from very large accountancy firms - are not expected to be fully conversant on the detailed technicalities of the IT involved with the software, so they may have to rely on software developers to interact with HMRC to resolve filing issues on their behalf. However, direct contact between developers and HMRC can be problematic because of client confidentiality.

It would seem self-evident that a good level of digitalised customer service from HMRC - with more visibility of information held by HMRC being available to agents - would improve the accuracy of tax return filings, whether by agents or taxpayers. The CIOT and ICAEW published recommendations in autumn 2024 for HMRC to improve digital and customer services.⁴²

There is currently also a focus on the forthcoming mandation of Making Tax Digital (MTD) for Income Tax: however, it should be recognised that this only affects a minority of Income Tax Self Assessment (Self Assessment) taxpayers, and IT processes for non-MTD for Income Tax filers should continue to be developed.

There are occasions where software anomalies mean that filings are either not technically correct or cannot be filed online. These can take disproportionate amounts of time to find a solution to and also explain to clients. HMRC produces comprehensive lists of where paper returns may need to be filed, or where workarounds are needed, but even so they can put agents and taxpayers in a difficult or uncertain position.

Attachments filed with a tax return (or other filings) are a key issue for agents as, in the event of HMRC enquiries into a return, they can provide verification that a return is complete and correct, for example by providing clarity of the detailed entries in the return, or that complex issues and calculations have been considered, or to explain workarounds. However, both HMRC's own software and also commercial software do not always provide transparency over precisely what attachments have been filed or what they include.

HMRC information on company tax returns is more limited than on personal tax returns - there is some limited information on Corporation Tax filing exclusions and workarounds⁴³ but the government acknowledged in the Corporate Tax Roadmap⁴⁴ that the systems are outdated. Details on modernisation are expected to be included in the Transformation Roadmap, expected in summer 2025.

This chapter explore these issues further and makes some suggestions for improvements.

Prevalence of online filing

- 3.1. The vast majority of Self Assessment tax returns are filed online – of the over 11m returns filed for 2023/24, only 304,000⁴⁵ were filed on paper. Of those filed online, nearly 6.6m were filed

⁴² See pages 19 to 22:

<https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/d129ebc7-0c8e-4b6c-a844-b5e4ce485255/13748%20CIOT%20ICAEW%20Report%20V5%20high%20res.pdf>

⁴³ <https://www.gov.uk/guidance/changes-and-issues-affecting-the-corporation-tax-online-service>

⁴⁴ https://assets.publishing.service.gov.uk/media/6721199c4da1c0d41942a8bd/Corporate_Tax_Roadmap.pdf

⁴⁵ <https://www.gov.uk/government/news/115-million-file-self-assessment-by-31-january-deadline>

- by agents: of those, 733,235 were filed using HMRC's own software, with the rest being filed using commercial software⁴⁶.
- 3.2. Agents therefore file around 59% of all Self Assessment tax returns, and of these, just under 90% are filed using commercial software⁴⁷. The ability to file Self Assessment tax returns online using the internet has been available to agents since 2000/01⁴⁸. Initial take up by agents was slow, until modifications to the client approval process came into effect for 2007/08 onwards, following recommendations made in the Carter report in 2006⁴⁹.
 - 3.3. Online filing of Corporation Tax returns has been available since 2003⁵⁰ and from 2011 all Corporation Tax returns were required to be filed online: again, the vast majority of these filings use commercial software⁵¹. HMRC provide software to file Corporation Tax returns but, as explained at 1.7, this is limited to the simplest companies and is not available to agents and will be withdrawn after 31 March 2026⁵². There are around 3m Corporation Tax filings annually, of which around 90% are by agents⁵³.
 - 3.4. When MTD for Income Tax is mandated (from April 2026 for those with qualifying income over £50,000; April 2027 with income over £30,000; and April 2028 for those with income above £20,000⁵⁴) the quarterly updates and final returns will all be filed using software, as a key element of MTD for Income Tax is to provide HMRC with information in digital format. HMRC will not provide an online portal for the end of year filing.
 - 3.5. Agents, although mainly filing returns online, also file paper returns on their client's behalf in some circumstances. These include Income Tax repayment claims (e.g. forms R40⁵⁵). Although taxpayers can file their own repayment claims online using their Government Gateway, this facility is not available to agents and online filing of repayment claims through commercial software is also not available

Agent use of commercial software

- 3.6. There are many types of commercial software available to agents, whether for filing tax returns, client bookkeeping, or time recording or client management purposes. There is a wide selection of commercial software available and choosing the right one is complex. Changing software provider can also be difficult, due in particular to the need to move data.
- 3.7. As explained at 1.26 above, although HMRC provides lists of some of the software available – for example for VAT – and there is a recognition process to check that commercial software will work on the same basis as HMRC's own software, HMRC does not review third party software in detail and does not require the product itself to be provided to it as part of the recognition process, although a product demonstration may be requested.
- 3.8. The helpful HMRC list of software available for personal tax returns⁵⁶ shows for each software provider (currently 40) whether they can support the full range of tax return schedules, and also

⁴⁶ <https://www.accountingweb.co.uk/tech/accounting-software/self-assessment-stats-flag-digital-tax-challenges-ahead>

⁴⁷ <https://www.accountingweb.co.uk/tech/accounting-software/self-assessment-stats-flag-digital-tax-challenges-ahead>

⁴⁸ https://www.legislation.gov.uk/ukia/2007/37/pdfs/ukia_20070037_en.pdf

⁴⁹ <https://web.archive.org/web/20060620165554/http://www.hmrc.gov.uk/budget2006/carter-review.pdf>

⁵⁰ https://www.legislation.gov.uk/ukia/2007/37/pdfs/ukia_20070037_en.pdf

⁵¹ <https://assets.publishing.service.gov.uk/media/5a7e4d95e5274a2e8ab4724d/online-filing-two-years-on.pdf>

⁵² <https://www.gov.uk/guidance/corporation-tax-use-hmrcs-free-filing-software>

⁵³ Estimates provided by HMRC

⁵⁴ <https://www.gov.uk/government/publications/modernising-the-tax-system-through-making-tax-digital/technical-note-modernising-the-tax-system-through-making-tax-digital>

⁵⁵ [Claim a refund if you've paid tax on your savings and investments - GOV.UK](https://www.gov.uk/government/publications/self-assessment-commercial-software-suppliers/self-assessment-online-commercial-software-suppliers)

⁵⁶ <https://www.gov.uk/government/publications/self-assessment-commercial-software-suppliers/self-assessment-online-commercial-software-suppliers>

- whether the software allows for attachments to be submitted with the return or amendments made once filed.
- 3.9. It also specifies whether the software is able to be used by agents or individuals (or both) although no further search filters are provided, so each provider has to be reviewed individually to check whether they are suitable for the agent's (or taxpayer's – the various lists are intended for use by both) needs.
 - 3.10. Usefully, links are provided to suppliers' websites: some suppliers state they are 'HMRC recognised'⁵⁷ but HMRC are clear that they do not endorse any of the products. It is therefore the agent's responsibility to find software which suits their commercial needs, and which is accurate and reliable.
 - 3.11. HMRC also produce a list for Corporation Tax return software⁵⁸ and again clarifies in more detail that HMRC is not able to recommend or endorse any one product or service over another, provide support for commercial software product or bear responsibility for the content. Customers are encouraged to ask their suppliers for information about the security aspects of the products and services they provide.
 - 3.12. Filings for both VAT (the MTD name now has been dropped for VAT, as it has been fully rolled out) and MTD for Income Tax must be made using software (unless digital exclusions apply) and again HMRC produces lists for software available commercially. There are currently 453 products available for VAT⁵⁹ and 27 being trialled for MTD for Income Tax (with 11 more in development)⁶⁰. It is understood that approximately five hundred companies have their own in-house VAT filing software.
 - 3.13. The VAT list briefly states that all software listed has been through HMRC's recognition process but again HMRC does not endorse or recommend any one product or software provider - this statement has also been added to the MTD for Income Tax list.
 - 3.14. The VAT software list provides a very helpful filter, showing for example whether software is suitable for agents or businesses, whether it's free, and if it has various accessibility features.
 - 3.15. As shown in Appendix 4, the statement of HMRC's responsibilities as regards the use of commercial software is different for each type (e.g. Self Assessment, Corporation Tax, MTD for Income Tax, VAT) and it would be helpful if HMRC could make these consistent, to prevent confusion. It would be useful if all the longer software lists could have a filter similar to the one for VAT software.

Agent interaction with software developers – choices and ease of moving

- 3.16. As the term suggests, the adoption by agents of commercial software is a commercial decision – they will choose the right software which is suitable for their business needs.
- 3.17. Inevitably the agent's needs will vary over time – the size of the business may alter significantly, for example, or the software developer may change – perhaps acquired by a larger company.
- 3.18. Changing software developers is not a simple thing to do as migrating a large amount of data from one provider to another can be problematic as each system is slightly different. This is discussed further at 2.23 to 2.26. For agents the technical issues involved, which may involve the manual keying in of information, can be a significant cost which they will either need to absorb or pass on the clients by increasing fees – neither of which is ideal.
- 3.19. If consistent software data standards are mandatory, then this may not be as much of an issue and agents could more easily transfer from a developer who no longer meets their requirements.

⁵⁷ <https://developer.service.hmrc.gov.uk/api-documentation/docs/terms-of-use#marketing-your-software>

⁵⁸ <https://www.gov.uk/government/publications/corporation-tax-commercial-software-suppliers/corporation-tax-commercial-software-suppliers>

⁵⁹ <https://www.tax.service.gov.uk/making-tax-digital-software>

⁶⁰ <https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax>

HMRC filing resources available to agents

- 3.20. Agents also commonly make various filings using HMRC's own online portals. There are two main online systems which professional agents can access information on their clients' tax affairs and also, in some cases, file reports or returns on their clients' behalf. These are 'HMRC online services for agents' and the newer 'agents services account' (ASA). Both are outlined below.
- 3.21. HMRC online services are currently inconsistent and confusing - it's not always clear why commercial software is available for some filing services and not others, or why there is no facility for agents to use HMRC software for other services. The way agents obtain authorisation can also be confusing: the ASA requires a digital handshake between agent and client, but the authorisation processes for HMRC online services for agents varies from service to service, as noted in Appendix 5.

HMRC online services for agents

- 3.22. This service has been available for many years and is a key provision for most agents. It gives agents access to client information for core services such as Self Assessment, Corporation Tax, the Construction Industry Scheme, Stamp Taxes and employment related securities (share scheme) filings. A list of known services is included in Appendix 5 although it is difficult to find a comprehensive published list.
- 3.23. Most of these services allow online filing by the agent using HMRC's own portal although in most cases agents choose commercial software instead, if available. For some services e.g. employment related securities no commercial software is available. There is no facility for agents to file Corporation Tax returns using HMRC online services and agents are unable to use the CATO service referred to in Chapter 1.

Agent services account

- 3.24. HMRC also provide a newer 'agent services account' (ASA) which enables access to client information, and also to various filing facilities such as:
 - VAT
 - MTD for Income Tax
 - Capital Gains Tax on UK property account [*the 60-day CGT return*]
 - trust registration service
 - client Income record [*a view-only service*]
 - Plastic Packaging Tax
 - Pillar 2 top-up taxes
- 3.25. Filings for VAT and MTD for Income Tax must be made using commercial software while other filings, e.g. the UK property account, which enables filing of Capital Gains Tax returns for the sale of UK residential property, can only be made through the ASA (as no commercial software is available).
- 3.26. The ASA gateway is also used as the login for other submissions to HMRC, such as the Research and Development (R&D) additional information form and the compliance statements or advance assurance application forms for the Enterprise Investment Scheme.
- 3.27. A significant feature of the ASA is that each professional firm can have only one ASA. This makes it much less flexible than HMRC online services for agents, where a firm may prefer to set up different service accounts for each office, type of tax etc.
- 3.28. Previously, a taxpayer could have only one agent authorised to represent them within each service of the ASA. However, for MTD for Income Tax, it is widely expected that some taxpayers may have two or more agents dealing with the process – for example, one agent dealing with data recording and quarterly updates (which is primarily a bookkeeping service) and a separate main agent for the end of year tax return and finalisation work – which is more

likely to be dealt with by a tax advisor. The issue of multiple agents is well-known to HMRC, and they have launched a solution for the 2025-26 beta testing.

API services provided by HMRC

- 3.29. As explained at 1.38 to 1.40, APIs can be used to facilitate filing returns, to provide information to agents (or others) or indeed for any exchange of data.
- 3.30. An example of this is the API which links with commercial tax return software to provide information to agents of a client's salary or pension (though not currently the State Pension), which can then be used to pre-populate the client's tax return.
- 3.31. Although the information provided by the API is usually accurate, it can be frustrating where the API does not work consistently, and information is available for one client, but the API does not work for another – or works one year but not the next.
- 3.32. Although information on the State Pension isn't available through that API it is available in the agent HMRC online services for agents portal. Again, the availability of this information can be intermittent, though it is easier to find than in the taxpayers' personal tax account or the HMRC app – the complicated process for that is explained at 4.22 to 4.26.
- 3.33. There are examples of where information is available to HMRC – for example payments under the Construction Industry Scheme received under deduction of tax – but is not available to agents (or taxpayers). This type of information would be extremely useful to agents and taxpayers and providing it could significantly cut down errors in returns.
- 3.34. It would be helpful if agents have more visibility of more types of income. It would also be helpful to ensure that, for the vast majority of tax return filers who will not be in MTD for Income Tax, HMRC's development of these APIs continues to progress.

Other agent issues with online services

- 3.35. Both HMRC online services for agents and the ASA provide a limited amount of client information for the agent (e.g. State Pension and employment figures). However, the information available to agents does not exactly replicate the information available to their clients. For example, details of pay and tax deducted in Income Record Viewer do not show the same level of detail as the taxpayer can see in their personal tax account or HMRC app, explained more fully at 4.8 to 4.14. Taxpayers can also very clearly see their National Insurance record in the personal tax account and HMRC app, but this information is not available to their agents.
- 3.36. It would be helpful if the information available from HMRC could be expanded, perhaps more in line with the Australian model, where the Australian Tax Office provide a range of 'pre-fill' information⁶¹, including interest, dividends, property sales and share sales, as well as salary information⁶². This information is available to both agents and taxpayers. HMRC launched a consultation on third party data⁶³ at the Spring Statement 2025 which considers these opportunities.
- 3.37. There are other examples of functionality available to taxpayers which is not available to agents – for example agents cannot propose changes to PAYE codes online (taxpayers are able to do this, albeit in a very limited way) and cannot file R40 repayment claims online. Some registrations for taxes cannot be done online by agents – for example, registering a partnership for Self Assessment or creating an employment related securities scheme registration. Those have to be done by the taxpayer, often with instructions from the agent.

⁶¹ <https://www.ato.gov.au/individuals-and-families/your-tax-return/how-to-lodge-your-tax-return/lodge-your-tax-return-online-with-mytax/pre-filling-your-online-tax-return>

⁶² <https://www.ato.gov.au/tax-and-super-professionals/for-tax-professionals/prepare-and-lodge/in-detail/pre-filling-reports/pre-filling-2024>

⁶³ <https://www.gov.uk/government/consultations/better-use-of-new-and-improved-third-party-data>

- 3.38. HMRC's vision for agents is 'to be able to see and do what their clients can and design in agent access from the outset'⁶⁴. It is to be hoped that this vision will become reality over the next few years.

Legal responsibilities of agents and interaction between agents/software developers/HMRC

- 3.39. As explained at 2.13, although legal responsibility lies with the taxpayer for the accuracy of the information they supply to HMRC, if there is a software filing issue agents will feel a responsibility to ensure, by liaising with HMRC and software developers, that tax return filings are made on time and are correct.
- 3.40. Many agents and developers have raised the point that it would be helpful if there was a clearer way for HMRC and the developers to liaise directly: a key issue for agent and professional bodies will be to ensure that there is complete transparency for the client as to who has access to their records.
- 3.41. Agents may need to speak directly to HMRC if there is an issue with HMRC's own software. HMRC offer technical support⁶⁵ but there is no dedicated service for agents. If the issue can't be resolved by the online services support team (this is often the case with employment related securities filings for example) it can be difficult for an agent to know which department to contact or how to contact them. It would be helpful if HMRC could publish guidance on who should be contacted in the event that the HMRC online services helpdesk is unable to help.

Exclusions and workarounds

- 3.42. Agents may need to file paper Self Assessment returns in some specific circumstances where HMRC's systems cannot accept online filing. These exclusions are listed⁶⁶ by HMRC as part of their technical specifications and include for example situations where taxpayers have complex cases and need to file more schedules than the system allows, where they want to disclaim their personal allowances or where they have specific types of income, such as Lloyd's underwriters or religious ministers.
- 3.43. HMRC also publish a list of 'Special Cases'⁶⁷ for software issues where they have devised a workaround which will enable online filing (even though the information in the return is perhaps not then technically correct).
- 3.44. If a workaround is used HMRC do not take action for an incorrect filing, provided that the inaccuracy is in accordance with the workaround and purely to facilitate online filing.
- 3.45. A recent example of this is Basis Period Reform which adjusts the profits of those taxpayers using an accounts year-end other than 5 April or 31 March to ensure that, going forwards, their taxable profits for a tax year reflect the profits earned in that year. Basis Period Reform was detailed in the October 2021 Budget⁶⁸ but the 2023/24 tax return could not reflect all the entries needed for the necessary adjustments to profits (or losses), and HMRC therefore published various workarounds for different scenarios.
- 3.46. As an added complication, some software providers were unable to replicate HMRC's workarounds and had to provide further software-specific workarounds to enable the return to be filed online.

⁶⁴ Section 2: <https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system#the-core-of-a-modern-tax-system>

⁶⁵ <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/online-services-helpdesk>

⁶⁶ <https://www.gov.uk/government/publications/self-assessment-technical-specifications-2025-for-individual-returns>

⁶⁷ <https://www.gov.uk/government/publications/self-assessment-technical-specifications-2025-for-individual-returns/>

⁶⁸ <https://www.gov.uk/government/publications/basis-period-reform/basis-period-reform>

- 3.47. Agents have therefore been in the uncomfortable position of knowing that the return in these circumstances is not technically correct yet having no real option than to work on the basis suggested by HMRC and software providers.
- 3.48. HMRC do not publish a detailed list of Corporation Tax return exclusions (although some guidance is available for some problematic scenarios⁶⁹) and paper returns may be needed in some circumstances, such as R&D claims where software anomalies do not allow online filing.
- 3.49. A further example of where a workaround will be needed is for the 2024/25 Self Assessment return, where the rate of Capital Gains Tax has changed part way through the year, following the Budget on 30 October 2024. The policy paper published by HMRC at the time⁷⁰ explains:

This measure is expected to increase individuals' levels of administration when dealing with HMRC for the latter half of the 2024 to 2025 tax year, as changing the rate schedule within the tax year cannot be fully integrated into the self-assessment calculation, so customers will have to take extra steps for any gains made on or after 30 October 2024.

HMRC will provide guidance and the tools to support customers to calculate the Capital Gains Tax that is due.

The workaround will essentially consist of using an existing box in the Capital Gains Pages of the tax return to adjust the Capital Gains Tax liability to the correct rate.

It is likely that HMRC and software developers will have worked together to see if the software changes could be made in time for the 2024/25 returns, but the timing between the Budget announcement and the end of the tax year was too tight to allow for this change.

As part of implementing the workaround, agents will need to consider filing explanatory notes. The importance of the use of this type of attachment is described below.

- 3.50. It would be helpful if HMRC and developers would work together to ensure software is as accurate as possible and reflects changes in legislation – Basis Period Reform and the recent change in the Capital Gains Tax rate being two recent examples of where this has been or will be problematic.

Attachments

- 3.51. Attachments to a tax return or other filing can be in the form of schedules - produced by the commercial software - detailing income and capital gains or accounts or other calculations produced by the agent.
- 3.52. Attachments are important as they add detail and context to the basic information in the tax return and can also add clarity to complex situations such as capital gains where explanations may be needed for reliefs claimed or valuations used.
- 3.53. They are also useful where a situation is not fully covered within the tax return - for example, the adjustments needed for Basis Period Reform in 2023/24 are not fully supported within the tax return software (either HMRC or commercial), so explanatory notes on the workarounds used can be added by filing an attachment alongside the tax return.
- 3.54. It is also anticipated that additional explanatory notes will be required for the 2024/25 tax year for the change in Capital Gains Tax rate part-way through the year, to support and clarify what can be complex calculations.
- 3.55. Legislation imposes a requirement to include with the personal tax return 'such accounts, statements and documents...as may reasonably be so required'⁷¹
- 3.56. HMRC guidance⁷² is that attachments are intended where taxpayers feel it is crucial to provide additional information which cannot be included in the white space ('any other information')

⁶⁹ <https://www.gov.uk/guidance/changes-and-issues-affecting-the-corporation-tax-online-service>

⁷⁰ <https://www.gov.uk/government/publications/changes-to-the-rates-of-capital-gains-tax/1cf25453-5b0c-4e7b-9165-65cf117e0af0>

⁷¹ S8(1)(b) TMA1970

⁷² <https://www.gov.uk/hmrc-internal-manuals/self-assessment-manual/sam126040>

boxes in the tax return itself. It also goes on to say that routine attachments of documents such as figures in accounts may not receive appropriate attention: some agents feel this is unsatisfactory and there is uncertainty over HMRC's scrutiny of attachments.

- 3.57. Attachments such as accounts are a requirement for Corporation Tax returns, as companies will be required to file accounts in iXBRL format: companies also frequently have complex tax reliefs such as R&D claims or the creative industries tax relief claims, where detailed reports are usually filed with the return.
- 3.58. One point frequently raised by agents is that the Corporation Tax return does not have an 'any other information' section where matters can be brought to HMRC's attention. This can necessitate further attachments to explain fairly straightforward issues.
- 3.59. The Professional Conduct in Relation to Taxation guidelines (PCRT) advises considering fuller disclosure than strictly necessary in some cases⁷³. All agents who are members of one of the seven PCRT professional bodies⁷⁴ must adhere to the PCRT and many other agents, even if not a member of those professional bodies, will also follow those guidelines. HMRC has also set out its agent standards⁷⁵, what it expects of those not part of the PCRT bodies.
- 3.60. Essentially, if HMRC make enquiries into a tax return or on a particular transaction, the attachments filed with the return provides verification that say, interest on a specific bank account has been included in the overall tax return figure.
- 3.61. This protects the agent and their clients against potential penalties, e.g. as part of a discovery assessment as referred to at 4.49.
- 3.62. There can however be some uncertainty for agents as to whether attachments filed as part of a tax return or filing, have actually reached HMRC.
- 3.63. Some commercial software will clearly list attachments sent as part of the return, while in other software its less than clear what has actually been submitted and whether HMRC have received it. The IRmark explained at 1.36 (a software-generated string of characters, for example Y4OJPWNJJSQRV4SBSXPRESSEVXJILVBC) although unique to each tax return, does not specify whether there are attachments included with the return.
- 3.64. Viewing attachments where HMRC's own portals have been used is also problematic. For example, the Capital Gains Tax on UK property account return includes the facility to add an attachment to the filing, perhaps explaining what reliefs have been claimed (such as Private Residence Relief). However, there is no way to view the attachment once filed, although the return itself can be viewed and does indicate whether there is an attachment.
- 3.65. Filings for forms such as the R&D additional information forms or Enterprise Investment Scheme applications are not viewable at all once filed. This gives a level of uncertainty as to what has actually been filed. Agents will have their own processes in place to get clients to approve a form before filing, but it would be useful to be able to view these forms once filed, so that both taxpayers and agents have more transparency.
- 3.66. It should be possible for agents to have certainty over what attachments have been filed and to be able to view attachments filed using HMRC's own filing facilities. It would be helpful if HMRC and software providers could review current processes to ensure this is the case.

Delays with filing confirmation

- 3.67. When a tax return is filed with HMRC (typically for Self Assessment or Corporation Tax) a confirmatory submission receipt is issued by HMRC by email to confirm the date and time the return was received by HMRC. This confirmation is normally received within seconds. This

⁷³ https://assets-eu-01.kc-usercontent.com/220a4c02-94bf-019b-9bac-51cdc7bf0d99/1a89d664-e3ac-47a6-9159-c80aa38d11e3/A_Tax_Filings_helpsheet_1_March_2019.pdf

⁷⁴ The seven professional bodies which sponsor PCRT are the CIOT, the ATT, STEP, the ICAEW, ICAS, ACCA and the AAT.

⁷⁵ <https://www.gov.uk/government/publications/hmrc-the-standard-for-agents/the-hmrc-standard-for-agents>

- email is used by HMRC to trace filed returns (i.e. they cannot be traced from the IRmark alone) and is therefore crucial for the agent, to prove that the filing has been made.
- 3.68. At peak filing times, for example in late January (the deadline for Self Assessment tax returns), there can be significant delays ('polling') with the submission receipt – and it can then take several hours or even a few days to be issued.
 - 3.69. This then gives significant uncertainty about whether a tax return has been filed in time, and who bears the responsibility if for some reason the filing fails.
 - 3.70. In some cases, it's not simply a question of a late filing penalty (which is relatively modest): many amended returns for example, will be filed very close to the amendment filing deadline and can include claims and elections with a strict '2 year' deadline which would be missed if the return was filed late. This is particularly the case for Corporation Tax returns where the two main filing deadlines – 31 March and 31 December – often coincide with bank holiday periods (Easter and Christmas) where support from both HMRC and software developers may be limited. The cost of a missed claim can be substantial.
 - 3.71. Given that electronic filing has been available over a wide number of services for several years, it might be expected that HMRC could better anticipate peaks and troughs and adapt their systems accordingly.
 - 3.72. It would also be helpful if unexpected service availability issues could be better publicised, perhaps with HMRC giving software developers an early indication of an issue which could then be passed on to users via the software.

Chapter 4 – Taxpayers

Overview

This chapter considers how the use of tax software affects individual taxpayers, primarily those who are not represented by an agent and who may need to deal with individual Income Tax, and for those with a small business, VAT, PAYE and Corporation Tax.

These taxpayers face challenges in understanding their tax position, deciding what returns need to be filed and how to do this. Whilst HMRC provide a lot of information to taxpayers by way of personal tax accounts and the HMRC app in particular, understanding the information presented is not always straightforward. The extension of Making Tax Digital (MTD) to Income Tax starting in 2026 will add to some taxpayers' obligations.

This chapter covers these matters, together with how and when individuals need to access commercial software to assist them and the challenges of so doing.

How do unrepresented taxpayers file returns

- 4.1. Taxpayers who do not use an agent and wish to file online can either file returns using an HMRC portal or may need to purchase commercial software, depending on the complexity of their affairs and the type of tax return they are filing. The main returns filed by unrepresented taxpayers are likely to be those for Self Assessment (Income Tax and Capital Gains Tax), Corporation Tax and VAT. Taxpayers may also need to file a UK property return if property in the UK is disposed of. There is no commercial software for this and filing is direct to HMRC. Small business owners and those employing domestic staff such as nannies may also need to use PAYE software to meet their PAYE obligations.

Income Tax Self Assessment

- 4.2. Online filing for Self Assessment was introduced in 2000-01. Most individuals filing their own tax returns use the HMRC online portal which provides a reasonably intuitive and straightforward way of creating and submitting a Self Assessment tax return. For 2023-24, 96.69% of Self Assessment tax returns filed online by individuals used the HMRC portal⁷⁶ (see Appendix 3). However, it does not cater for all types of income, and in particular cannot be used to report trust or estate income, multiple gains from life insurance policies, or by non-UK residents, Lloyd's underwriters or religious ministers. Taxpayers in this position will need to use commercial software or file paper returns. For 2023-24 returns the 3.31% using commercial software represented 153,060 individuals, an increase from 134,682 in 2022-23.
- 4.3. It would be helpful if HMRC's online return portal could be extended, at the very least, to include trust and estate income. This is normally straightforward to enter, and it is unhelpful to require taxpayers to purchase commercial software for such simple (and for estate income often one-off) entries.
- 4.4. HMRC does not recommend any particular commercial software but its website gives a listing of the various providers of software for Self Assessment⁷⁷. 40 different providers are shown and making a choice is difficult. As set out at 1.26 onwards inclusion on the list means that the software has met HMRC's recognition standard, which checks that commercial software will work on the same basis as HMRC's own software. However, HMRC does not review third party software in detail and does not require the product itself to be provided to it as part of the recognition process, although a product demonstration may be requested.

⁷⁶ [Self assessment stats flag digital tax challenges ahead | AccountingWEB](#)

⁷⁷ <https://www.gov.uk/government/publications/self-assessment-commercial-software-suppliers>

- 4.5. The choice of software will become even more complex with the introduction of MTD for Income Tax – see 4.38 to 4.46.

Corporation Tax

- 4.6. Online filing for Corporation Tax was introduced in 2003⁷⁸ and HMRC now provides an important service (CATO) for private companies without an audit to file their accounts with Companies House and their Corporation Tax return in a single filing. However, there are numerous limitations of the service⁷⁹ and it is to be withdrawn in 2026, as discussed at 1.7. As for Income Tax Self Assessment, HMRC publish a list of commercial suppliers of software, with an indication of each package's capability, although no recommendations are given⁸⁰.

VAT

- 4.7. Since 2010 all VAT returns have needed to be filed digitally, either by using the HMRC portal or via commercial software. From 2019 VAT registered businesses need to keep digital records that link directly into the filing. This is done either by a compatible software package which keeps digital records and submits tax returns, or bridging (filing) software, which connects non-compatible software (including spreadsheets) to HMRC systems to enable digital filing. HMRC publish a list of available software for VAT returns, although it does not endorse or recommend any one product or provider. The list has filters allowing taxpayers to narrow down the choice in accordance with their needs⁸¹.

HMRC assistance for taxpayers

Customer accounts

Personal and business tax accounts

- 4.8. All individual taxpayers can set up a personal tax account through the Government Gateway which enables them to carry out certain checks and to update certain aspects of their tax, National Insurance, State Pension and benefits⁸². We understand that identity verification can present challenges for some taxpayers, although this topic is beyond the scope of this report.
- 4.9. In particular it can be used to view and update information relevant to PAYE, claim a tax refund, view the taxpayer's National Insurance number, view a State Pension summary, view tax summaries for earlier years, and claim Child Benefit.
- 4.10. If the taxpayer makes Self Assessment tax returns the HMRC online service can be accessed through this account, including a banking link to enable tax payments to be made from most banks by using Open Banking.
- 4.11. Individuals, sole traders, partnerships and limited companies can also open a business tax account, which enables them to check their tax position for over 40 taxes including Income Tax (Self Assessment), VAT, PAYE and Corporation Tax⁸³. For individuals, the business tax account links to the personal tax account through the login, but the accounts are not combined, so there is no complete picture of a taxpayer's affairs.
- 4.12. The personal tax account is also used to provide prompts (for example generic information on the High Income Child Benefit Charge) and latest news and updates.

⁷⁸ https://www.legislation.gov.uk/ukia/2007/37/pdfs/ukia_20070037_en.pdf

⁷⁹ [Preparing and filing Companies House accounts - GOV.UK](#) (see para 7.2). It is understood that around 280,000 companies use this service.

⁸⁰ <https://www.gov.uk/government/publications/corporation-tax-commercial-software-suppliers/corporation-tax-commercial-software-suppliers>

⁸¹ https://www.tax.service.gov.uk/making-tax-digital-software?_ga=2.170113635.2117968997.1696322242-593428342.1667300307

⁸² <https://www.gov.uk/personal-tax-account>

⁸³ <https://www.gov.uk/guidance/sign-in-to-your-hmrc-business-tax-account>

HMRC app

- 4.13. The HMRC app was launched in December 2017 and is another way for taxpayers to get information about their tax affairs. It contains similar information to the personal and business tax accounts in a more readily accessible format, although on occasion opens up a secure weblink instead of holding the data in the app itself. The app is a convenient way of paying Self Assessment tax where the taxpayer has the relevant banking app, by using open banking to ensure that the payment goes to the correct account with the correct reference.
- 4.14. As of January 2025, it had been used 112 million times by 5 million unique users over the previous 12 months, an increase of 43% in terms of usage⁸⁴.

Single Customer Account

- 4.15. HMRC is working in stages on the Single Customer Account project, with the eventual objective that taxpayers will be able “to view their tax position and tell HMRC anything they need to know through a single online account”⁸⁵. In time, this should combine the data in the current personal and business tax accounts for an individual and add extra functionality. This formed part of the government’s 10-year strategic plans for administrative reform published in 2020 and the first stage has a target implementation date of 2025⁸⁶. It is understood that the project is being implemented incrementally, which means that new features will be added gradually to the account, rather than launching an entirely new account.
- 4.16. After the 2025 target date for implementing the initial project, there is currently no public roadmap for new features to be added to the online account and the HMRC app. It is hoped that HMRC’s forthcoming Transformation Roadmap⁸⁷ will set out more details.
- 4.17. Recent additions to the personal tax account are the ability to view a taxpayer’s National Insurance number and to save it to a phone wallet, making and changing Child Benefit claims and making Self Assessment tax payments using Open Banking.
- 4.18. It is hoped that more information on the information and functionality of the Single Customer Account will become available and that HMRC will use this opportunity to streamline the various accounts currently available and consider further how information already held by it can be made available to taxpayers. This will assist taxpayers to engage digitally with HMRC more effectively.

Pre-population

- 4.19. For unrepresented taxpayers (whether using the HMRC portal - for Self Assessment returns - or commercial software) access to data already held by HMRC is important. Taxpayers who have agents may be less concerned about pre-population of data already held by HMRC into tax return software as this will be dealt with by their agent.
- 4.20. Individuals using the HMRC portal will find that certain data held by HMRC is pre-populated, for example PAYE information (both employment and pension income paid under PAYE) appear prominently at the start of the Self Assessment return process.
- 4.21. In general, this information is also made available in commercial software, although the precise mechanics differ from one type to another.
- 4.22. However, in other instances data held by HMRC is extremely hard to find. The amount of State Pension taxable for a particular tax year is a case in point. It does not appear on the PAYE information noted above in the HMRC portal, which is not unreasonable as it is not paid under PAYE.

⁸⁴ <https://committees.parliament.uk/oralevidence/15238/html/> see qu 226

⁸⁵ <https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system>

⁸⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1147138/E02867864_CP_828_Treasury_Minutes_Web_Accessible.pdf (see page 13)

⁸⁷ Announced by the Exchequer Secretary on 11 March 2025 [Exchequer Secretary to the Treasury: 20 years of HMRC - reflections and looking ahead - GOV.UK](#)

- 4.23. However an estimate of the State Pension receivable in the current year can be viewed on the personal tax account within the PAYE section, which is inconsistent and potentially unhelpful.
- 4.24. An individual completing their Self Assessment return on the HMRC portal would log in using their Government Gateway credentials and then would normally expect to follow the prompts to **Your self assessment – complete a tax return – start now**⁸⁸.
- 4.25. As mentioned above this then brings up a screen showing income paid under PAYE, which may be either non-State Pension or employment income. It does not include the State Pension despite being headed UK pension and other state benefits. There is a tick box for the taxpayer to confirm they have reviewed this information, which then appears in their Self Assessment tax return as this is completed in the HMRC portal.
- 4.26. In order to find the State Pension figure one would not use the **Start now** button but instead click **Tax return options**, then **Tax return options** in the side bar, then at the foot of the page **Information to help you complete your tax return**. This then leads to a page displaying the State Pension information. There is no tick box facility and the information does not appear as the return is created by the taxpayer – indeed the instruction at that point is to find the relevant information from Department for Work and Pensions (which does not actually make it available other than in annual letters advising the amount of the State Pension payable every week/four weeks).
- 4.27. It is worth noting that the amount of State Pension found using the method above is based on 13 four-weekly instalments at the new rate used in the tax year. However, the amount taxable is based on the amount due for the tax year calculated on a daily basis, not the amount received in it⁸⁹. State Pension increases apply from the first Monday after 5 April each year (so 8 April in 2024) rather than from the start of the tax year and the pension is paid in arrears, and therefore the taxable amount is slightly less than the amount shown. It is understood that for Simple Assessment⁹⁰ HMRC use 1 week at the old rate and 51 weeks at the new rate as an approximation of the taxable amount – which will always be very slightly less than the daily calculation. However, the position for Self Assessment is unclear.
- 4.28. Given the complexities it would be helpful if HMRC could cover their approach in guidance and make the taxable figure more easily available in the online account and HMRC app.
- 4.29. There is undoubtedly additional useful information held by HMRC which could be provided, such as Child Benefit taxable should the High Income Child Benefit (HICBC) charge apply. It is accepted that this will not always be relevant as the taxpayer may not be liable to pay the HICBC, but provision of accurate information is likely to be helpful in any event. It should be noted that HMRC plan on collecting the HICBC through PAYE in 2025-26 where possible.
- 4.30. Payments made under the Construction Industry Scheme would also be helpful. It is understood that this will be included in MTD for Income Tax data provided by HMRC.
- 4.31. Improvements continue to be made to the personal tax account, but information remains difficult to find. It would be helpful if HMRC could periodically publish details of new information included in the online tax account, as well as other changes. Publishing up to date ‘walk through’ screens would help users become familiar with the account and the app, as well as making it easier for those bodies who support unrepresented taxpayers to guide them.
- 4.32. It is hoped that additional third-party data can also be added to the personal tax account in due course. There are a number of hurdles to be overcome in the process, as set out by the Office for Tax Simplification in its report of 2021⁹¹, not least being the need for a unique tax identifier

⁸⁸ This is the procedure for 2023-24 returns; different prompts etc may apply for later years.

⁸⁹ Sections 578 ITEPA 2003, <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim75700>

⁹⁰ Simple assessment is a process whereby HMRC issues an assessment to an individual based on information held by HMRC. It is mainly used where outstanding tax cannot be recovered through PAYE.

⁹¹ https://assets.publishing.service.gov.uk/media/60daf5858fa8f50ab4035cb5/Third_party_data_report.pdf

for each taxpayer so that data can be correctly matched to taxpayers. It is noted that HMRC have considered this in its March 2025 consultation on third party data.

- 4.33. Tax authorities in other countries, for example Australia, are able to provide more information to taxpayers, including interest and dividends. This is enabled because taxpayers in that country have a unique ‘tax file number’ (TFN).
- 4.34. Investors in offshore funds with reporting status need to report their income to HMRC, even if this is not distributed. Investors are taxed on the full amount for their share even if this has not been distributed. The excess is known as ‘excess reportable income’. Fund managers are obliged to provide sufficient information to taxpayers to enable them to report the full amount of taxable income, but this is not always straightforward for the investor to find. The information does not need to be provided directly – a link to the fund managers’ website is sufficient. However, HMRC have these details, and it would be helpful if they could be published to assist taxpayers in their reporting obligations. The amounts could also be included in dividend databases, often used by personal tax software. Pre-population would not be possible until taxpayers have a unique tax identifier, which they can provide to all third parties, but a published list would be of assistance.
- 4.35. Overall, we recommend that HMRC works to make as much information as possible available to the taxpayer (whether through the online tax account, the HMRC app or through APIs to tax software) and that this information is provided in as clear a way as possible.

Helping people to engage digitally

- 4.36. As well as people who are digitally excluded, there are many taxpayers who are not confident or proficient at using digital means and would benefit from further assistance from HMRC.
- 4.37. It is important to ensure that telephone contact to HMRC remains to assist both those who are digitally excluded and the many taxpayers who need assistance with their affairs but have problems in engaging digitally. Whilst there are relatively few digitally excluded taxpayers, there is a much greater number of taxpayers who would benefit from support in using digital means⁹².

Making Tax Digital for Income Tax

- 4.38. The introduction of Making Tax Digital (MTD) for Income Tax will mean taxpayers within its scope will need to make choices around software selection. After many delays, MTD will apply from 6 April 2026 for those with annual income (sales and/or gross rents) from self-employment and property letting of over £50,000; from 6 April 2027 for those with annual income of between £30,000 and £50,000; and from April 2028 for those with such income over £20,000⁹³.
- 4.39. MTD will require those taxpayers affected to keep digital records and submit quarterly updates of income and expenses for self-employment and property income to HMRC. They will also need to produce a final declaration (effectively a tax return) comprising final details of self-employment, property income and other income and capital gains, together with reliefs. This will be instead of submitting the current Self Assessment tax return.
- 4.40. The precise mechanics of the process are outside the remit of this paper.
- 4.41. Affected taxpayers will need to acquire some sort of software – either a full accounting package which also allows submission of MTD for Income Tax quarterly updates or, for those who

⁹² It was estimated in 2020 that about 8% of UK adults were digitally excluded, with 22% requiring some digital support. [HMRC research report 580: Assisted digital and digitally excluded support needs](https://www.hmrc.gov.uk/research-report-580-assisted-digital-and-digitally-excluded-support-needs). See also <https://www.lloydsbank.com/consumer-digital-index.html> in which it is estimated that 32% of UK adults have low or very low digital capability.

⁹³ As announced in the 2025 Spring Statement <https://www.gov.uk/government/publications/modernising-the-tax-system-through-making-tax-digital>

- already have a business accounting system, or prefer to use spreadsheets, some bridging (filing) software which will enable them to submit the relevant details to HMRC.
- 4.42. Many software houses are still developing software prior to the full implementation in April 2026, but some is already available, as a pilot has been running from April 2024. Some software houses have announced a free or freemium⁹⁴ option for qualifying taxpayers.
 - 4.43. As for Self Assessment software, HMRC lists software houses who have software available now (for 2024-25) and who are developing it⁹⁵ but it is up to the taxpayer to make a choice. As mentioned in 4.7, the HMRC list of software for VAT contains some filters allowing taxpayers to narrow down the choice in accordance with their needs, and it is expected that similar filters will be provided for MTD for Income Tax.
 - 4.44. Whilst VAT registered businesses will be familiar with quarterly returns for VAT and are likely to already have software, individual traders will additionally need to file quarterly updates and the final return, which may mean additional software could be required.
 - 4.45. However smaller businesses may well not use any record keeping software currently and will find it difficult to make an informed choice of what is best for them. Record keeping software is not all straightforward and those not trained in bookkeeping or accountancy are likely to find the whole process difficult. This is explored further at 4.57 to 4.63.
 - 4.46. As part of the move to MTD for Income Tax HMRC should consider a range of easements to make it easier for micro-businesses to account for their transactions, reflecting the way in which digital accounting systems will receive data. For example, VAT receipts are not always provided as a matter of course and obtaining these adds to the administrative burden. HMRC should consider accepting a wider range of invoices for VAT purposes, such as itemised till receipts from retailers (potentially with a monetary cap). HMRC could also consider allowing the recording of net payments from known platforms, where amounts are below a certain level. This would make it easier to record sales net of platform charges, potentially by taking the data from a bank account. This remains a complicated area as different platforms have different approaches but finding the right answer could help avoid mistakes through misunderstanding, as well as make compliance easier. At the margins, it could affect reporting thresholds.

If things go wrong

- 4.47. As discussed elsewhere in this paper the accuracy of the information supplied in a tax return is the responsibility of the taxpayer⁹⁶. This is irrespective of the method used to file the return, and whether or not an agent is used.
- 4.48. The question of responsibility for errors in filing is complicated and potentially worthy of specific consideration in another report. For the purposes of this report, we should accept that the taxpayer has full responsibility for the accuracy of the underlying data. However, where the taxpayer uses software to file a return, a wide range of errors could occur. The data may be entered into the return incorrectly – perhaps in part because the software used did not have prompts to question the entry. The software may not process the data correctly or may not file the return accurately, or on time. The introduction of artificial intelligence could also affect accuracy – and it is clear that this is a fast developing area.
- 4.49. If the software used malfunctions this could have consequences in five areas:
 - the return may not be filed on time, leading to late filing penalties
 - tax may be paid late, leading to late payment penalties and interest
 - the return may be incorrect, leading to penalties for incorrect returns

⁹⁴ Where a basic product is provided free but additional services which may improve functionality need to be paid for.

⁹⁵ [Find software that works with Making Tax Digital for Income Tax - GOV.UK](#)

⁹⁶ TMA 1970, s8(2) in respect of self-assessment income tax returns.

- filing an incorrect return means that tax for the affected years can be charged by way of discovery assessments. The time period for HMRC to make such assessments depends on the circumstances
 - if the document being filed contains a claim or election the time limit for the election may be missed
- 4.50. Details of penalties that can be charged are set out in Appendix 2.
- 4.51. Late filing and late payment penalties can be appealed against if there is a ‘reasonable excuse’ for the delay. The meaning of this term is not defined in statute, and it is therefore given its normal meaning⁹⁷. If HMRC do not accept an appeal, the taxpayer may appeal to the Tax Tribunal for a decision.
- 4.52. When considering penalty levels for incorrect returns and the time limits for assessments a key distinction is whether or not ‘reasonable care’ has been taken. If ‘reasonable care’ has been taken no penalty for inaccuracy will be charged. Like the term ‘reasonable excuse’ above, this is not defined in statute, and a wealth of case law exists on the subject.
- 4.53. HMRC provide guidance on what is regarded as reasonable care in the Compliance Handbook (see below)⁹⁸. The commentary does not cover errors due in whole or part to incorrect processing by software, or from incorrect use of software, perhaps because the software did not provide enough help to an inexperienced user.
- 4.54. Given that the advent of MTD for Income Tax will result in large numbers of individuals starting to use software to keep digital records, we recommend that HMRC should provide more guidance on when it is unlikely that penalties for failure to take reasonable care should apply.

Every person must take reasonable care, but ‘reasonable care’ cannot be identified without consideration of the particular person’s abilities and circumstances. HMRC recognises the wide range of abilities and circumstances of those persons completing returns or claims.

So whilst each person has a responsibility to take reasonable care, what is necessary for each person to discharge that responsibility has to be viewed in the light of that person’s abilities and circumstances.

For example, we do not expect the same level of knowledge or expertise from a self-employed un-represented individual as we do from a large multinational company. We would expect a higher degree of care to be taken over large and complex matters than simple straightforward ones.

HMRC expects each person to make and preserve sufficient records for them to make a correct and complete return.

A person with simple, straightforward tax affairs needs only a simple regime provided they follow it carefully. But a person with larger and more complex tax affairs will need to put in place more sophisticated systems and follow them equally carefully.

In HMRC’s view it is reasonable to expect a person who encounters a transaction or other event with which they are not familiar to take care to find out about the correct tax treatment or to seek appropriate advice.

If after that the person is still unsure they should draw attention to the entry and the uncertainty when they send the return or document to us. In these circumstances the person will have taken reasonable care to draw our attention to the point and if they are wrong they will not have been carelessly so.

⁹⁷ FA 2009, sch 55, para 23

⁹⁸ <https://www.gov.uk/hmrc-internal-manuals/compliance-handbook/ch81120>

- 4.55. HMRC does set out guidance on when a software failure leading to a late filed return may be accepted as giving rise to a reasonable excuse in the Compliance Handbook⁹⁹ and in other more general guidance on appeals.¹⁰⁰

Service issues with HMRC Online Service

Reasonable excuse may be accepted where:

- HMRC Online Service does not accept the return

The person or their agent was unable to use HMRC's online services. The person should provide the error message or details of the error message and the date it could not be filed online. However, HMRC does not want to penalise customers who have made a genuine attempt to file online so you should consider each case on its merits where details of the appropriate error message have not been provided

- Delayed receipt of online activation codes (PINs)

Accept as a reasonable excuse if the person registered to use the online service on or before the filing date but did not receive their activation PIN in time to file by the deadline, provided that they filed online as soon as possible once they received their activation PIN.

- Delayed receipt of a replacement ID, new password or replacement activation code

Accept as reasonable excuse if the person applied for a replacement User ID, password or activation code before the deadline, and filed their return without delay once they received the missing details. If application for this information was made after the deadline, reasonable excuse is not acceptable.

Loss of tax records

You should normally accept the loss of records through fire, flood theft or computer failure, as a reasonable excuse. You should be satisfied that the information for completion of the return could not be replaced in time for the person to complete the return by the due date.

Other possible reasonable excuse examples can include

- the person's computer or software failed just before or while they were preparing their online return
- delay caused by HMRC

Behaviours and interaction with software providers

Taxpayers with agents

- 4.56. The position of taxpayers with agents is considered in Chapter 3.

Unrepresented taxpayers

- 4.57. If an unrepresented taxpayer receives a penalty, they can appeal it as set out above. However, the position is complicated if the taxpayer has relied on software provided to complete the tax return, as this does not affect the responsibility of the taxpayer to take reasonable care.

⁹⁹ <https://www.gov.uk/hmrc-internal-manuals/compliance-handbook/ch160300>

¹⁰⁰ <https://www.gov.uk/tax-appeals/reasonable-excuses>

- 4.58. Therefore, it would still be necessary for the taxpayer to show that they had reviewed the output generated by the software appropriately, given their abilities and circumstances. This is particularly problematic for small businesses who use bookkeeping and tax return programmes as they may be less experienced in spotting financial errors, such as double counting or incorrect allocations .
- 4.59. We have been told that some users of bookkeeping programs find that these downloaded bank entries (for example for purchases), and for purchases to be entered from purchase records, leading to double counting. This may not be noticed by some users and will of course lead to incorrect tax returns. The software provider is unlikely to take responsibility for such an error. This is discussed in Chapter 1 as part of standards that HMRC could set for software providers.
- 4.60. There is a need for clearer user instructions for software packages to reduce such instances, particularly in the light of the introduction of MTD for Income Tax. Additional support from software providers for unrepresented taxpayers would also be helpful, including perhaps help with understanding bookkeeping concepts.
- 4.61. Two possible areas for consideration to reduce user error have been suggested to us, which would benefit from greater evaluation. Firstly, an unrepresented taxpayer purchasing software for the first time could be required to indicate their level of knowledge and familiarity with tax and bookkeeping. This in turn could trigger additional help and warning messages within the software which may assist inexperienced users without slowing down those who are more familiar with the issues.
- 4.62. A second suggestion is to require unrepresented taxpayers who maintain their own accounting records to reach a certain standard. This could be demonstrated by a test, or membership of a suitable professional body. Alternatively, HMRC could require that accounts be certified by a qualified person. Such standards are common in other countries, including much of Europe and, closer to home, Guernsey.
- 4.63. A further way to reduce user error and to improve taxpayer compliance generally would be to improve taxpayer education, particularly in schools and further education colleges. HMRC already provides a tax education programme Tax Facts¹⁰¹ which provides teaching resources for schools for children aged between 8 and 17 and, as the Office of Tax Simplification set out in its 2019 study Taxation and Life Events: Simplifying tax for individuals¹⁰², there have been some limited private programmes in tertiary education. We recommend that HMRC should consider extending its programme of taxpayer education, particularly in further education colleges where vocational courses are being undertaken, which are likely to lead to self-employment. This would mean that those entering self-employment after qualification have a clear understanding of their tax obligations and how to meet them.

¹⁰¹ <https://www.gov.uk/government/publications/tax-facts-for-children-and-young-people/tax-facts-resources-for-teachers-and-parents>

¹⁰² [Taxation and life events](#)

Appendix 1 – List of HMRC Software APIs

<https://developer.service.hmrc.gov.uk/api-documentation/docs/api>

There are 106 items listed as at 19 June 2025, of which 14 are XML APIs, marked with XML in this list.

Agent Authorisation
 Agent Authorisation Online - XML
 Agent Authorisation Test Support
 Alcohol and Tobacco Warehouse Declaration Online - XML
 Automatic Exchange of Information - XML
 Bulk Data File List
 Business Details (MTD)
 Business Income Source Summary (MTD)
 Business Rates
 Business Source Adjustable Summary (MTD)
 CIS Deductions (MTD)
 CTC Guarantee Balance
 CTC Guarantee Balance phase 5 service guide
 CTC Guarantee Balance phase 5 testing guide
 CTC Guarantee Balance roadmap
 CTC Traders
 CTC Traders phase 5 service guide
 CTC Traders phase 5 technical interface specification
 CTC Traders phase 5 testing guide
 CTC Traders roadmap
 Charities Online - XML
 Check a UK VAT number
 Check an EORI Number
 Construction Industry Scheme Online - XML
 Corporation Tax Online - XML
 Create Test User
 Customs Declarations end-to-end service guide
 Customs Inventory Linking Exports
 EC Sales List Online – XML
 Excise Movement Control System - XML
 Excise Movement Control System service guide
 Excise Movement Control System technical interface specification
 Excise Movement Control System testing guide
 Goods Vehicle Movements
 Goods Vehicle Movements service guide
 Hello World - Connection test service
 Import Control Presentation of Goods
 Import Control System - XML
 Import Control System 2 Presentation of Goods service guide
 Income Tax (MTD) end-to-end service guide
 Income Tax (MTD) roadmap
 Individual Benefits
 Individual Calculations (MTD)
 Individual Employment
 Individual Income

Individual Losses (MTD)
Individual PAYE Test Support
Individual Tax
Individuals Capital Gains Income (MTD)
Individuals Charges (MTD)
Individuals Disclosures (MTD)
Individuals Dividends Income (MTD)
Individuals Employments Income (MTD)
Individuals Expenses (MTD)
Individuals Foreign Income (MTD)
Individuals Insurance Policies Income (MTD)
Individuals Other Income (MTD)
Individuals Pensions Income (MTD)
Individuals Reliefs (MTD)
Individuals Savings Income (MTD)
Individuals State Benefits (MTD)
Initiate payment
Interest Restriction Return (IRR)
Interest Restriction Return (IRR) service guide
Lifetime ISA
Marriage Allowance
Marriage Allowance Test Support
National Insurance
National Insurance Test Support
New Computerised Transit System
Notification of Presentation Waiver Checker
Notification of Presentation Waiver Checker Roadmap
Notification of Presentation Waiver Checker Service Guide
Obligations (MTD)
Other Deductions (MTD)
PAYE Online - XML
Pension Schemes Online - XML
Pillar 2
Pillar 2 API Roadmap
Pillar 2 API Service Guide
Post and Parcels Service Guide
Property Business (MTD)
Pull Notifications
Push Pull Notifications
Real Time Information online - XML
Relief At Source
Safety and Security Import Declarations
Safety and Security Import Notifications
Safety and Security Import Outcomes
Safety and Security Import Declarations service guide
Secure Data Exchange File Upload API
Self Assessment Accounts (MTD)
Self Assessment Assist (MTD)
Self Assessment Individual Details (MTD)
Self Assessment Online – XML

Self-Assessment Test Support (MTD)
Self Assessment end-to-end service guide
Self Employment Business (MTD)
Stamp Taxes Online – XML
Tax Logic service guide
Test Fraud Prevention Headers
Trader Goods Profile Service Guide
Trader Goods Profiles
Trader Goods Profiles Test Support
VAT (MTD)
VAT (MTD) end-to-end service guide

Appendix 2 – Penalties for late and incorrect tax returns and payments

This appendix sets out the main penalty provisions that are likely to be relevant for individuals and small businesses using software to file returns, for Income Tax, Corporation Tax and VAT. The penalty rules for incorrect returns are common to all these taxes, but late filing and late payment penalties differ across the various taxes. As noted below rules relating to late returns and payments of VAT changed from 1 January 2023. These new rules will also apply to Making Tax Digital (MTD) for Income Tax when it is introduced and ultimately to Income Tax Self Assessment taxpayers not within MTD for Income Tax¹⁰³.

Penalties which are unlikely to be related to software matters (such as penalties for failure to notify) are not covered^{104 105}.

Penalties for incorrect returns

- 1.1. Penalties for inaccuracies are based on the amount of tax that was not paid as a result of the inaccuracy and the taxpayer's behaviour, including whether the error was found by HMRC or notified to them by the taxpayer.
- 1.2. The penalty percentage falls into one of 6 ranges. The range it falls into depends on the type of behaviour and whether it was a 'prompted' or 'unprompted' disclosure. The following table shows the 6 penalty ranges.

Type of behaviour	Unprompted disclosure	Prompted disclosure
Reasonable care	No penalty	No penalty
Careless	0% to 30%	15% to 30%
Deliberate	20% to 70%	35% to 70%
Deliberate and concealed	30% to 100%	50% to 100%

- 1.3. The final penalty charged in the range depends on the quality of the disclosure and how helpful the taxpayer has been in co-operating with HMRC over the matter^{106 107}. This is discussed further in Chapter 4.

Penalties for late returns and late payments

Income Tax Self Assessment

Late filing penalties

- 1.4. These are applied automatically as follows
 - £100: applied immediately the return is filed after the relevant filing date
 - £10 per day: charged once the return is 3 months late for a maximum of 90 days
 - £300 or 5% of the tax due (whichever is the higher): applied if the return is 6 months late

¹⁰³ <https://www.gov.uk/government/publications/penalties-for-late-payment-and-interest-harmonisation/penalties-for-late-payment-and-interest-harmonisation>

¹⁰⁴ More detailed HMRC guidance can be found at <https://www.gov.uk/guidance/penalties-an-overview-for-agents-and-advisers>

¹⁰⁵ The rules also apply to volunteers to the MTD for Income Tax pilot in respect of annual obligations only

¹⁰⁶ <https://www.gov.uk/government/publications/compliance-checks-penalties-for-inaccuracies-in-returns-or-documents-ccfs7a/compliance-checks-for-penalties-of-inaccuracies-in-returns-or-documents-ccfs7a-factsheet>

¹⁰⁷ Higher penalties apply for tax on offshore income and gains

- a further £300 or 5% of the tax due (whichever is higher): applied if the return is 12 months late
- 1.5. These penalties are charged whether or not any tax is due and can mount up to at least £1,600 after 12 months.

Late payment penalties and interest

- 1.6. Interest is automatically charged on tax paid late at 4% over base rate, so currently at a rate of 8.25%¹⁰⁸.
- 1.7. There are also late payment penalties, as follows:

Delay in payment	Amount of penalty
After 30 days	5% of tax outstanding
6 months ¹⁰⁹	An additional 5% of tax outstanding
12 months ¹¹⁰	An additional 5% of tax outstanding

- 1.8. Late filing and late payment penalties can be appealed against if there is a ‘reasonable excuse’ for the failure. This is not defined in statute and is given its normal meaning. It is considered in the light of all the circumstances of the particular case. If HMRC do not accept an appeal, the taxpayer may appeal to the Tax Tribunal for a judgement.

Time limits for assessments

- 1.9. If an error has been made HMRC may also assess tax underpaid for previous years which would give rise to further penalties. The extent to which previous years can be assessed depends on the behaviour of the taxpayer or of someone acting on his behalf.

Type of behaviour	Time limit for assessments
Reasonable care	4 years
Careless	6 years
Offshore matters	12 years
Fraud	20 years

Corporation Tax

Late filing penalties

- 1.10. These are applied automatically as follows
- £100: applied immediately the return is filed after the relevant filing date
 - a further £100: charged once the return is 3 months late
 - if the return is 6 months late HMRC will estimate the unpaid Corporation Tax and add a 10% penalty
 - if the return is 12 months late an additional 10% penalty will apply.
 - If the return is late three times in a row, the £100 penalties are increased to £500 each.
- 1.11. Penalties based on estimated tax will be recalculated based on the correct tax once it has been paid.

¹⁰⁸ As at 28 May 2025.

¹⁰⁹ Strictly 5 months after the first penalty date (FA 2009, sch 56, para 3)

¹¹⁰ Strictly 11 months after the first penalty date (FA 2009, sch 56, para 3)

- 1.12. Late filing penalties can be appealed if the taxpayer has a reasonable excuse. HMRC supply an online form for this¹¹¹.

Late payment penalties and interest

- 1.13. There are no late payment penalties for Corporation Tax but interest is charged on outstanding amounts at 4% over base rate, ie currently 8.25%¹¹².

VAT

Late filing penalties

- 1.14. VAT returns normally cover a three month period and must be normally be filed one month and seven days after the end of that period.
- 1.15. The VAT late filing penalty rules changed for accounting periods (i.e. VAT period) starting after 1 January 2023¹¹³. If a return is filed late (even if there is no VAT to pay) a penalty point is given. A monetary penalty of £200 will be charged once the penalty point threshold is reached and will continue to apply for each subsequent late return whilst at the threshold.
- 1.16. The penalty threshold for a business submitting quarterly returns is 4¹¹⁴.
- 1.17. HMRC publish the following example for a business making quarterly returns¹¹⁵:

A company submits their VAT Return quarterly. This means their penalty point threshold is 4.

They already have 3 penalty points because they submitted 3 previous returns late.

They submit their next return late and get a fourth penalty point. Because they've reached the penalty point threshold, they receive a £200 penalty.

The company submits their next return on time. They stay at threshold of 4 penalty points but do not get a £200 penalty.

The company submits their next return late. As they're still at the penalty point threshold of 4 points, they receive another £200 penalty.

- 1.18. If the threshold has not been reached each penalty point expires automatically after (broadly) 24 months. Alternatively, all points can be removed by submitting all returns on time during a period of compliance (12 months from the start of the month following the missed deadline for quarterly returns)¹¹⁶ and submitting all late returns for the previous 24 months. If the threshold has been reached only this second method can be used to remove points; there is no automatic removal after 24 months.

Late payment penalties and interest

- 1.19. Interest is automatically charged on VAT paid late at 4% over base rate, so currently at a rate of 8.25%¹¹⁷.

¹¹¹ <https://www.gov.uk/company-tax-returns/penalties-for-late-filing#:~:text=You'll%20have%20to%20pay,Tax%20Return%20by%20the%20deadline.&text=If%20your%20tax%20return%20is,increased%20to%20%C2%A3500%20each>

¹¹² From 28 May 2025. Lower rates apply to late paid quarterly payments.

¹¹³ See <https://www.gov.uk/submit-vat-return> for earlier rules

¹¹⁴ For annual and monthly returns the thresholds are 2 and 5 respectively.

¹¹⁵ <https://www.gov.uk/guidance/penalty-points-and-penalties-if-you-submit-your-vat-return-late>

¹¹⁶ For annual and monthly returns the periods of compliance are 24 and 6 months respectively.

¹¹⁷ From 28 May 2025.

1.20. If the payment is more than 15 days late, a late payment penalty¹¹⁸ will also apply as follows:

	First late filing penalty	Second late filing penalty
Payment up to 15 days overdue	None	None
Payment between 16 and 30 days overdue	2% of VAT due at day 15	None
Payment 31 days or more overdue	2% of VAT due at day 15 plus a further 2% of VAT due at day 30	Daily rate of 4% per annum on outstanding VAT until VAT is paid.

If VAT is still outstanding after two years, the penalty is assessed.

¹¹⁸ As announced in the Spring Statement the penalty percentages will increase from April 2025; 2% rates will increase to 3% and 4% rates to 10%.

Appendix 3 – Use of the HMRC portal for Income Tax Self Assessment

Below are figures for the past five Self Assessment deadline years (e.g. SA25 is for the 2023/24 tax year) split into who is making the filing (agent vs taxpayer) and how the return is filed (HMRC Self Assessment portal vs third party tax filing software)¹¹⁹.

	SA21	SA22	SA23	SA24	SA25
<i>Agent using HMRC product</i>	775,847 (12.50%)	704,128 (12.05%)	778,223 (11.77%)	755,875 (11.41%)	733,235 (11.15%)
<i>Agent using third-party software</i>	5,433,279 (87.50%)	5,138,324 (87.95%)	5,833,434 (88.23%)	5,869,731 (88.59%)	5,845,482 (88.85%)
Agent total	6,209,126 (60.43%)	5,842,452 (59.38%)	6,611,657 (60.3%)	6,625,606 (58.91%)	6,578,717 (58.71%)
<i>Individual using HMRC product</i>	3,952,021 (97.2%)	3,886,478 (97.26%)	4,228,197 (97.1%)	4,486,672 (97.06%)	4,474,033 (96.69%)
<i>Individual using third-party software</i>	113,785 (2.8%)	109,410 (2.74%)	126,079 (2.9%)	134,682 (2.91%)	153,060 (3.31%)
Individual total	4,065,806 (39.57%)	3,995,888 (40.62%)	4,354,276 (39.7%)	4,621,354 (41.09%)	4,627,093 (41.29%)
Total returns	10,274,932	9,838,340	10,965,933	11,246,960	11,205,810

¹¹⁹ See HMRC data provided to Accounting Web
<https://www.accountingweb.co.uk/tech/accounting-software/self-assessment-stats-flag-digital-tax-challenges-ahead>

Appendix 4 - Lists of commercial software provided by HMRC

Construction Industry Scheme:

<https://www.gov.uk/government/publications/construction-industry-scheme-cis-commercial-software-suppliers/construction-industry-scheme-cis-commercial-software-suppliers>

The guidance notes:

The products listed have gained HMRC recognition having proved the ability to file a valid form or return (CIS300). Contact the software developer to make sure that a product meets your needs.

It then lists products available (approx. 100). No online filters. Some links to websites are provided.

There is a caveat after the list:

HMRC cannot:

*recommend or endorse any one product or service over another
provide support for these commercial software supplier products
assist with any difficulties — take up any problems or questions directly with the commercial software supplier
assist with any problems contacting the companies listed
guarantee that these links will work all of the time*

HMRC is not responsible for:

*any loss, damage, cost or expense arising out of the use of this software
accuracy of the contact details provided by commercial software suppliers
content or reliability of these commercial software supplier websites and does not necessarily endorse the views expressed within them
availability of the linked pages*

HMRC does not carry out any form of security testing of developer products or services. Ask your supplier for information about security.

If you're considering using a digital certificate, you must check that the software you're using supports it.

Corporation Tax

<https://www.gov.uk/government/publications/corporation-tax-commercial-software-suppliers/corporation-tax-commercial-software-suppliers>

The guidance notes:

The commercial software and service suppliers listed in this guidance have given evidence that they've developed software or manage a service (or both), that can produce one or more elements of a Company Tax Return. HMRC:

- *is not able to recommend or endorse any one product or service over another*
- *cannot provide support for these commercial software supplier products — any queries or difficulties experienced by users should be taken up directly with the commercial software supplier*
- *is not responsible for the contents or reliability of these commercial software supplier websites and does not necessarily endorse the views expressed within them — we cannot guarantee that these links will work all of the time and have no control over the availability of the linked pages*
- *will not be responsible for any loss, damage, cost or expense arising from the use of this software*

- *does not carry out any form of security testing of developer products or services and customers are encouraged to ask their suppliers for information about the security aspects of the products and services they provide*

If you're considering using a digital certificate, you must check that the software you're using also supports it.

The commercial software suppliers have provided their contact details and we cannot guarantee that they're correct, or assist if you're unable to contact them.

It then lists the software providers for CT600 returns (approx. 34) and also has separate lists of iXBRL providers.

No online filters are provided.

Income Tax Self Assessment

<https://www.gov.uk/government/publications/self-assessment-commercial-software-suppliers/self-assessment-online-commercial-software-suppliers>

The guidance notes:

The commercial software suppliers can submit one or more elements of the tax return and supplementary pages to HMRC.

In each case HMRC will accept valid tax returns, supplementary pages and attachments for the products listed.

HMRC cannot recommend or endorse any one product or service over another and will not be responsible for any loss, damage, cost or expense in connection with using this software.

There is then a list of 40 providers each with a note of whether they are suitable for agents or individuals and brief details of which tax return schedules are supported etc

There are no online filters and some of the information (e.g. whether suitable for agents or individuals) is set out in an inconsistent way

MTD for Income Tax

<https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax>

The guidance notes:

All software listed on this page has been through HMRC's recognition process.

HMRC does not endorse or recommend any one product or software provider

It then lists software available now (27 providers) and gives brief details on whether it's for quarterly updates, Self Assessment tax returns or record keeping only. All software is currently on a paid for basis only.

It also lists 11 providers who currently have software in development.

Website links are provided for all but there are currently no online filters.

VAT

<https://www.tax.service.gov.uk/making-tax-digital-software>

The guidance notes:

Using software will allow you to submit VAT Returns directly to HMRC without needing to visit HMRC's website. All software listed on this page has been through HMRC's recognition process. HMRC does not endorse or recommend any one product or software provider.

Most of the software listed will require payment though there are some free versions available. You should choose software that is suitable for you.

There are 453 providers listed. There is a useful online filter on whether the software:

- Is suitable for businesses or agent
- Does VAT record keeping or bridging
- Has features such as viewing returns or payment history
- Whether it's free or paid for
- If a Welsh language option available
- Has accessibility features such as for impaired vision or physical difficulties

PAYE

<https://www.gov.uk/guidance/find-payroll-software-that-is-recognised-by-hmrc>

The guidance notes:

This payroll software is recognised by HMRC. You can use it to report PAYE to us online. You should consider which features you need and check the software you choose has those features.

HMRC cannot recommend one product or service over another. We're also not responsible for any problems you have with software you've bought.

There is then a list of software providers: it lists free software first (9 including HMRC Basic PAYE Tools) and then paid-for software (approx. 150).

Website links are provided but no other online filters.

Stamp Duty Land Taxes

<https://www.gov.uk/government/publications/stamp-duty-commercial-software-suppliers/stamp-duty-land-tax-commercial-software-suppliers>

This is a simple list (with website links and phone numbers) of 14 providers. No guidance or caveats added.

Appendix 5 – List of main services available to agents via HMRC online services for agents

Online service:	Allows agents to:
Annual Tax on Enveloped Dwellings	Submit an ATEED return However: agent authorisation is via the ATEED digital handshake
Charities	Make Gift Aid repayment claims for the charity However: agent authorisation is through a separate online form (ChV1)
Construction Industry Scheme	View monthly payments and liabilities Set up agent authorisation online However: returns can only be filed using commercial software
Corporation Tax	View their client's CT position and change some details Set up agent authorisation online However: returns can only be filed using commercial software
Employment Related Securities	File annual returns File EMI notifications Set up agent authorisation online However: the share schemes have to be set up or closed down by the client within their own HMRC portal
Gambling Tax	File tax returns for betting and gaming duties View liabilities and payments However: agents are authorised by client through the client's Business Tax Account
Machine Games Duty	File Machine Games Duty returns online View and change details Set up agent authorisation online
Notification of Vehicle Arrivals	Tell HMRC about an imported vehicle Calculate the VAT due Set up agent authorisation online
PAYE for Employers	File forms P11d View payments and liabilities Appeal a penalty Set up agent authorisation online However: PAYE returns can only be filed using commercial software or HMRC Basic PAYE Tools
Self Assessment	File tax returns View client information such as tax payments and liabilities, PAYE codes and state pension Set up agent authorisation online
Stamp Taxes	File an SDLT return However: no specific HMRC process for authorisation
VATEU Refunds	Apply for VATEU refunds for NI traders Submit EC Sales Lists for NI traders Set up agent authorisation online However: VAT returns are filed via MTD for VAT, using commercial software