Digital Carrot or Stick!

By James Cater

The Cultural Revolution, according to Wikipedia, was a socio-political movement, which took place in China from 1966 until 1976.

Half a century later UK business finds itself embroiled in its own cultural upheaval as HM Revenue & Customs relentlessly imposes computerisation on the business community. What started with a shuffle towards a digital world with compulsory online submission of VAT returns was followed by acceleration into 'Real Time Information' for payroll and is now a full gallop towards 'Making Tax Digital'. This last initiative threatens to require every business and landlord with annual turnover above £10,000 to maintain their accounts in an electronic format and, starting with unincorporated businesses and landlords from 2018, to submit information to HMRC quarterly.

It has been interesting to watch the passage of these proposals. Few have greeted them; some have tried to check their advance but none yet have slowed them. Whether by sidestep or barrelling brute force, onward momentum has been maintained.

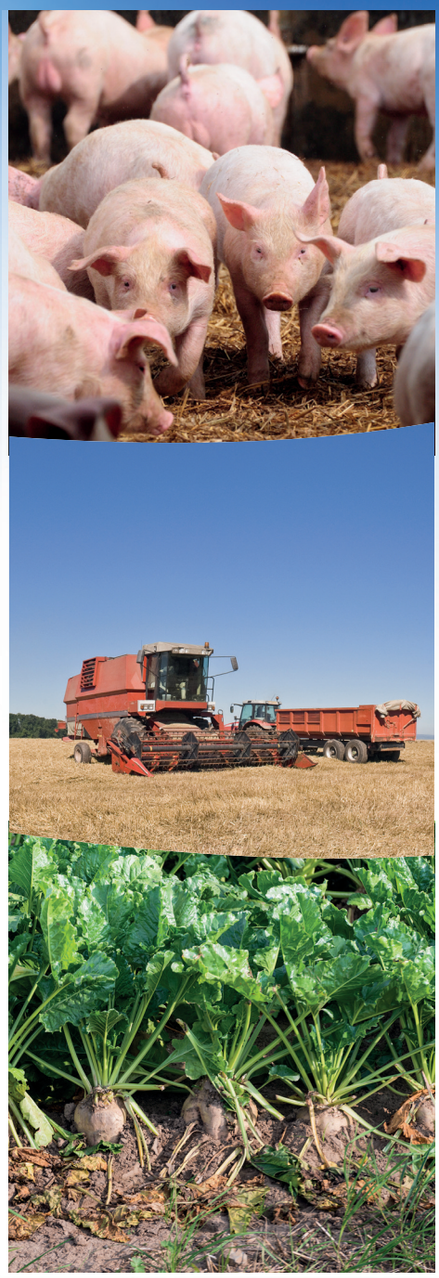
A reluctant business community will ultimately accept the inevitable and, after a shaky start, succeed in meeting HMRC's requirements. Then we will perhaps see the Taxman's long-term objective. This is not simplification. It is not going to make life for the businessman easier, at least in the short-term and I don't believe that it will help HMRC in the short-term. Longer term, there are opportunities for many businesses to benefit from better management information. From the Revenue I anticipate increased scrutiny of the performance of businesses by comparison between quarters, between years and between businesses.

This I expect to be done electronically, to generate leads for their tax enquiry staff.

Farmers will cope with these issues as well as any. However I can imagine computer software programmers suffering nervous breakdowns as they try to identify trends over time and between farm businesses involving potentially different sectors, cropping and marketing patterns, tenants and owner-occupiers and the myriad of other variables that differentiate farm enterprises.

These digital foundations will be built upon. Already cloud accounting is establishing itself as the go-to option because of the flexibility it brings. Just as computerised banking has rippled across the commercial landscape so cloud software will gain popularity as software programmers move their products towards the cloud. Links between banking and accounting software will become the norm. How soon before bankers are requiring access to the business accounts in real time so that they can monitor their borrowers more closely? The lid is being lifted and business practices must evolve to take advantage of the conditions that HMRC are dictating.

Mindful of my digital theme perhaps Wikipedia is an appropriate reference. It states that the Cultural Revolution was 'responsible for the most severe setback and the heaviest losses suffered by the Party, the country, and the people since the founding of the People's Republic'. Hopefully our digital revolution will be less damaging.



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