

The new era of tax simplification will mean four tax re...

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Most people who have to do them find doing one tax return a year quite onerous. I know. I have helped many hundreds (maybe more) people do them over the past 35 or so years. [So this is deeply troubling from HMRC yesterday:](#)

Making tax digital

The government will invest £1.3 billion to transform HM Revenue and Customs (HMRC) into one of the most digitally advanced tax administrations in the world. Most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account, reducing errors through record keeping.

HMRC will ensure the availability of free apps and software that link securely to HMRC systems and provide support to those who need help using digital technology. This will not apply to individuals in employment, or pensioners, unless they have secondary incomes of more than £10,000 per year.

I am almost dumbstruck by this suggestion for six reasons.

First, I thought tax simplification was meant to be on the agenda. This is far removed from that.

Second, I thought that this was a government committed to reducing the burdens on business. It looks like 5 million (at least) will be seeing substantially increased obligations.

Third, if this reporting is anything like VAT reporting then it is very likely that large, mandatory fines for late submission of data will apply. The risk of very large numbers of small businesses being severely penalised as a result is high.

Fourth, there is no hint in here how those without internet access are to comply with the law. Digital should not be an obligation in a tax system.

Fifth, for many the cost of compliance with this obligation will be very high indeed: many small businesses have no clue what their accounting is until aided by an accountant at the end of their year. Are they to now pay four times over?

And sixth, if the data reported is to be simplified, such as sales alone, the risk that over or under taxation might result is high.

The costs of HMRC are supposedly going to be cut by 18% over the next few years. The additional costs of achieving that for society look to be very high indeed. I am all for tax compliance, but this is a step in the wrong direction.