**Accounting Officer Assessment**

**Making Tax Digital**

It is normal practice for Accounting Officers to scrutinise significant policy proposals or plans of major projects and then assess whether they measure up to the standards set out in Managing Public Money. From April 2017, the Government has committed to make a summary of the key points from these assessments available to Parliament when an accounting officer has agreed an assessment of projects within the Government’s Major Projects Portfolio.

**Background and Context**

The programme aims to support UK businesses to transact digitally and is the start of the UK’s transformation to a modern, more resilient, and effective digital tax service. It forms a crucial building block in the Government’s ambition to ensure more businesses are able to adopt new digital ways of working, supporting their productivity and growth.

It also aims to improve business record keeping by providing businesses with a modern digital experience, encourage compliant behaviour, and to act as a building block to HMRC’s transformation plans. Critical infrastructure will also be replaced by moving customer records from regime-based legacy systems onto HMRC’s new strategic IT (Information Technology) platform, enabling more effective customer service and reducing risk for HMRC.

Making Tax Digital (MTD) programme has updated its first Accounting Officer Assessment (originally published April 24) in line with MTD’s updated business case, approved March 2025, and reflects the changes to scope, cost and benefits. The RAG status has not changed. The business case has received approval from Ministers for spending on the MTD programme, through to March 2028. This is subject to specific conditions which are being addressed through the programme’s governance.

**Assessment against the Accounting Officer Standards**

**Regularity**

The MTD programme meets the regularity requirements.

Legislation is in place which defines obligations to comply with MTD for customers. Before April 2026, further primary legislation will be introduced to finalise some aspects of the legal framework.

Primary legislation has been enacted through Finance Acts in 2017 for Making Tax Digital for VAT and ITSA and in 2021 for Penalty Reform. Secondary legislation for MTD for VAT and ITSA were laid in September 2021. Further secondary legislation to commence Penalty Reform for VAT was laid in December 2022. Legislation to commence Penalty Reform for MTD ITSA obligations are within the programme’s plan.

At Autumn Budget 2024, the government confirmed that MTD for Income Tax will start from April 2026 for sole traders and landlords with qualifying income over £50,000 and extend to those with incomes over £30,000 in April 2027. At Spring statement 2025, it was announced that MTD for Income Tax will now also be extended to sole traders and landlords with income over £20,000 from April 2028.

**Propriety**

The MTD programme meets the high standards of public conduct and relevant Parliamentary control procedures and expectations.

The MTD programme adheres to HMRC’s end-to-end change lifecycle governance and undertakes the appropriate assessments and reporting.  The programme became part of the Government Major Projects Portfolio (GMPP) in 2016 and has since complied with the GMPP quarterly reporting requirements, including Infrastructure and Projects Authority (IPA) reviews.

The MTD programme has an established governance framework and supporting processes for effective programme management. The governance framework sets out authority and decision-making roles, accountabilities, and escalation route. The programme is governed principally by the MTD Programme Board and reports bi-monthly to HMRC’s Executive Committee. A separate Strategy and Policy Board has been established to resolve strategic policy and design issues, and reports into Programme Board. Additionally, the programme reports as required to the Reform and Modernisation Committee, chaired by the non-executive director for HMRC. The programme has a dual SRO structure in place with Suzanne Newton and Jonathan Athow appointed as [[published](https://assets.publishing.service.gov.uk/media/669e89f30808eaf43b50d474/Suzanne_Newton_and_Jonathan_Athow_Making_Tax_Digital_SRO_Appointment-Letters.odt)](https://published) on gov.uk.

A central Programme Management Office (PMO) supports the effective management and assurance of the programme in accordance with HMRC’s standards and follows best practice in regard to programme assurance and governance. Procurement of suppliers follows HMRC’s established commercial governance process, ensuring appropriate scrutiny and challenge.

The latest business case for MTD was approved by HMRC’s Change Investment Design Committee (CIDC) in January 2025 and by HM Treasury (HMT) in March 2025. This approval covers the 3-year period from April 2025 to March 2028 and approval for the remaining lifecycle costs to March 2034. The updated business case includes the full costs and benefits of introducing Penalty Reform to the non-mandated Income Tax population and lowering the Income Tax mandation threshold to customers with >£20k of qualifying income.

In June 2023 National Audit Office (NAO) reported on their audit into the progress on implementing MTD and whether MTD’s latest plans provide confidence it will deliver value for money. The report included 13 recommendations, 11 of which have been implemented and the remaining two are on track to be implemented in 2025. Following the NAO audit, a Public Accounts Committee (PAC) hearing covered MTD’s original vision and plans; progress made in re-phasing the programme at the end of 2022; and the realisation of the latest plans for the programme. The government’s response to the PAC’s report has been published in the [￼ HM Treasury Minutes March 2025](https://www.gov.uk/government/publications/treasury-minutes-progress-report-march-2025)

**Value for Money**

The MTD programme and its core elements are achieving value for money.

The MTD programme follows and assesses value for money in line with HM Treasury’s [Green Book](https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020) guidance. The most recent business case update clarifies MTD programme’s overall scope and sets out the programme’s full lifecycle costs, benefits, and closure point in 2029-30. The programme’s value for money was reassessed following these changes.

The preferred option taken forward was assessed as offering the highest potential to achieve the programme’s strategic objectives and value for money. This assessment gave consideration to the strategic objectives of the overall programme and its individual core elements of MTD for VAT, MTD for ITSA, and Penalty Reform. This includes their benefit-to-cost ratios (BCR), return on investment ratios (ROI), and non-monetizable benefits and costs.

Changes to the overall scope of the programme were evaluated as part of an options appraisal. The updated business case includes the full costs and benefits of introducing Penalty Reform to the non-mandated Income Tax population and lowering the Income Tax mandation threshold to customers with >£20k of qualifying income. The migration of non-mandated Income Tax Self-Assessment customer records has been removed to be delivered through a separate HMRC programme.

The MTD Programme’s overall lifecycle costs are now estimated at £4.3bn, of which £1.4bn are public sector costs and £2.9bn customer costs. The £2.9bn figure includes all current estimates of ongoing and transitional costs to customers. The MTD Programme’s overall lifecycle monetised benefits are now estimated to be £6.2bn with lifecycle additional tax revenue (ATR) savings of £5.5bn. Benefits will continue to accrue beyond the five-year benefit window assessed in the business case.

MTD will deliver significant non-monetizable benefits. MTD is upgrading and modernising critical national IT infrastructure for the VAT and ITSA regimes. The evaluation of MTD for VAT provides evidence that MTD offers wider productivity and time savings benefits for some businesses. MTD for Income Tax will support the wider digitisation and productivity of UK businesses and provide a technological foundation for future innovation. Penalty Reform will harmonise penalty regimes and improve fairness and customer trust in HMRC. Achieving these wider benefits can in some cases result in negative exchequer impacts. Applying penalty reform to the non-mandated Income Tax population for instance will reduce yield from penalties but result in a fairer penalty system for 12 million customers.

The MTD programme’s overall Benefit to-Cost Ratio (BCR) now compares the whole lifecycle (2016-2034) benefits for all three core elements to their costs to government and customers. The MTD programme overall BCR remains positive at 1.3:1. MTD’s ROI, which, in line with Green Book guidance, excludes customer costs and compares only the costs to government of delivering MTD against exchequer benefits, remains positive at 3.8:1. These figures have reduced since the last business case, with the BCR reducing from 2.2:1 to 1.3:1, and the ROI from 4.8:1 to 3.8:1. This is due to a combination of the updated business case now including full lifecycle costs and benefits, the scope changes outlined above, and updated estimates for MTD for Income Tax ATR and customer costs.

MTD programme has conducted sensitivity analysis on benefits and costs to assure long term value for money potential. MTD for ITSA’s ATR benefits are sensitive to changes to the tax gap, and customer costs to wider market factors. All MTD costs and benefits will continue to be regularly monitored and updated in light of new evidence.

The individual elements of MTD for VAT, MTD for ITSA, and Penalty Reform continue to demonstrate positive BCR and ROI. MTD for VAT is estimated to deliver a BCR of 1.8:1 and ROI of 4.9:1. MTD for ITSA is estimated to deliver a BCR of 1.1:1 with ROI of 3.6:1. Penalty Reform for VAT and ITSA is estimated to deliver a BCR of 1.5:1 and ROI of 1.1:1.

MTD for VAT and Penalty Reform for VAT have been delivered, with a full evaluation of the impacts of MTD for VAT published on gov.uk. This found MTD for VAT had delivered its forecast ATR benefits, with £185 million to £195 million raised in 2019 to 2020 alone. The majority of customers consulted found it straightforward to comply, and most experienced benefits as well as costs, including wider economic benefits beyond tax. For instance, 45% of customers consulted said Making Tax Digital software had saved them time; between 26 to 40 hours per business per year on average for all those using fully functional software. Fully-functional Making Tax Digital software had operational and financial benefits for two-fifths of businesses and acted as a spur to digitalisation for one-fifth.

With the revised ROI of 3.8:1 I am satisfied that MTD comfortably meets the VFM test

**Feasibility**

MTD programme delivery as per its agreed plan is feasible.

MTD for VAT was handed over to business-as-usual on 1st November 2022 and PR for VAT went live in January 2023.

The Delivery Confidence Assessment for MTD programme remains Amber, as assessed by Infrastructure and Projects Authority (IPA) (now NISTA) in a January 2025 review.  The programme’s IT functionality releases over the past year have been delivered as planned and future IT delivery remains on track to mandation. The migration of >£50k, >£30k and 20k mandated customer records to HMRC’s new Enterprise Tax Management Platform will align to the respective phases of mandation to MTD ITSA.

MTD for ITSA is currently in a live public testing phase, with 19 software providers currently offering 22 compatible products, including 4 free products. In total 12 developers have committed to providing free products for April 2026 mandation. In the private testing phase, core customer journeys and customer support team processes were successfully tested with a low volume of customers across a diverse range of income types.

The programme has developed robust delivery and contingency plans, with progress monitored by MTD’s Programme Board and HMRC’s Executive Committee. The programme’s leadership, supported by delivery partners, have the skills and experience required to deliver the programme’s outcomes.  The programme has introduced modern programme management practices to continuously improve delivery, including multi-functional teams and re-invigorating relationships with external stakeholders through a co-creation approach.

**Conclusion**

All four of the Accounting Officer tests are satisfied and there are no material Accounting Officer issues or risks identified.

As the Accounting Officer for HMRC I have considered my assessment of the Making Tax Digital Programme and the proposal is value for money and deliverable, I have approved it as of 04/06/25. I have prepared this document to set out the key points which informed my decision. If any of these factors change materially during the lifetime of this Programme, I undertake to prepare a revised assessment, setting out my consideration of them. A summary of this assessment will be published on the Government’s website (gov.uk) and copies will be deposited in the Library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

**Accounting Officer’s name: John-Paul Marks, Chief Executive HM Revenue & Customs.**

**Signature**  **Date of signing: 04/06/25**