

THE IMPACT OF MAKING TAX DIGITAL APPLICATION ON THE ACCOUNTING COSTS

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ABSTRACT

There is a current proposal in the UK to overhaul the tax reporting system from the analogue paper filing format to an online, digitized format. The proposal is better known as the Making Tax Digital (MTD) initiative designed by the Her Majesty Revenue & Customs (HMRC) body. The program is meant to put the tax reporting framework on a digital platform in order to make it tax returns convenient, fast, and error-free. The traditional paper files which are usually done only once in a year, hence are full of errors, lack precision, and tedious in terms of file storage and access.

The HMRC strongly advocate for the implementation of the MTD scheme as they allege that taxpayers and corporate businesses will be able to save reporting costs, can access tax accounts in real-time, avail fast access to accountants, and enable the HMRC avoid losses from certain tax omissions. Despite the evident benefits, several bodies such as the FSB and the CERB claim that the exertion of the MTD will surely impose pricey transition costs for small businesses, who have to purchase certain hardware and software equipment to run MTD. The study therefore conducted a systematic literature review analysis to shed more light on whether the MTD is truly a worthwhile project to pursue or not. The results show that the MTD is, indeed, worthwhile and will definitely be a global technological innovation for all current economies; owing to its digital mobility, fast access to information, and real-time tax reporting amongst many other benefits.

Keywords: Making Tax Digital, Taxpayers, Online Digital Tax Accounts, HMRC, FSB.

HIGHLIGHTS

1. The UK HMRC has proposed for implementation of the Making Tax Digital programs in the year 2020; saying that it will make paying taxes easier and more efficient.
2. Small businesses and self-employed persons have however opposed the idea claiming that the program will make the taxpayers spend more on tax returns than the current paper-filing tax return system.

INTRODUCTION

Background to the Study

Making Tax Digital (MTD) is an initiative proposed by the HMRC and HM Treasury to modernize UK's taxation system and bring it up to par with the global digital revolution (Kerschner & Somare, 2017). The proposition claims numerous benefits of MTD such as digital record keeping, flexible tax adjustments, reduction of input errors, as well as an enhanced flow of financial information (KPMG, 2017). The HMRC have always yearned for a better and more precise framework to help negate the shocks taxpayers undergo when they are informed of the total amount of tax they have to pay at the end of the year. Hence, the MTD was proposed as a cushion for these shocks as it would enable taxpayers to regularly monitor their transactions,

income, expenses, and cash reserves in the bank and be aware of how tax is owed, as opposed to putting it off until end-year (Seely, 2018). Firms shall also be more enthusiastic and fervent to keep their accounts and bookkeeping records current and authentic. Keeping records up-to-date is quite beneficial because the participants are immediately informed of any glitches, hence are faster to correct them and even claim allowances or expenses entitled to them. The MTD also promised to benefit the HMRC by cutting out late filings of tax (Lane, 2017). There would be no more hopping along to the accountant for late tax filings but instead an automated filing system that necessitated the taxpayers to submit their quarterly tax updates within the last month of the quarter end (Hannam, 2017).

In light of these reasons and benefits, the HMRC, with backing from the government, rolled out its foresight for a revolutionized tax system in the March 2015 National Budget. The proposal was later published as a national roadmap in a policy paper titled "*Making Tax Digital: The Consultation*" (HMRC, 2017). Later, the HMRC declared a public consultation phase which would run from 15th August 2016 to 7th November 2016. The purpose of the consultation phase was to invite any interested parties to give their feedback and suggest models that would best suit them and also effectively mutate UK's tax department into one of the most competitive digital platforms in the globe by the year 2020 (The Stationery Office, 2016). Suggestions were particularly welcome to counsel the government on how best to structure tax payments, for example if it was best to line up the payment dates and amalgamate them together, hence easing the process of paying taxes in a single move and save transaction charges. On 13th July 2017, the HMRC made further amendments to its MTD proposal and published a second Finance Bill in a bid to demonstrate its belief and strong conviction in the tax system transformation initiative. The projected MTD timeline is as follows:

1. 5th April 2018: Conclusion of self-assessment of taxpayers
 - a. April 2018: MTD goes live for income tax enterprises and landlord agents who have a turnover exceeding the VAT threshold of £83,000.
 - b. April 2019: MTD goes live for income tax enterprises and landlord agents who have a turnover less than the VAT threshold of £83,000 but not less than £10,000.
 - c. April 2020: MTD goes live for corporation taxpayers and large partnerships with a turnover less than £10 million.

Generally, the objective of the MTD initiative is positive and promises many perks and advantages to both the HMRC as well as the taxpayers (landlords, the self-employed, and enterprises) as discussed above. However, there is one major problem. The integration and administration of the MTD proves to be quite an expensive project. To start with, the incorporation of the MTD program will necessitate spending unbudgeted-for capital to purchase, install, test, run, and maintain the online accounting software and digital tax accounts (OECD, 2015). Additional funds will also have to put aside to cater for training the new maintenance and administration personnel for the software as well as for the accounting staff who will be employed to regularly update the accounts and submit tax reports at quarter end.

To make matters worse, the HMRC is not planning to disseminate its own free software products hence the procurement and installation costs shall be transferred to the taxpayers (Palan, Murphy, & Chavagneux, 2013). As Eden (2017) argues, small businesses could foot costs as high as £2,770 in the tax system revolution in face of poor economic times such as increased national minimum wages, introduction of tax levies on annual dividends, and the auto-enrolment of pension schemes. In a thumbnail, implementation of the MTD spells doom for accounting

costs despite the guaranteed benefits. The purpose of this article is to conduct a systematic literature review analysis in scrutiny of the impact of Making Tax Digital Application on the accounting costs.

Justification of the Study

The main justification of this thesis is centred upon deciphering the true impact of the MTD program. While the HMRC advocate for its integration claiming that it will save taxpayers from the tedious filing of tax returns through paper forms, many UK residents call for its removal saying that implementing MTD will cost businesses thousands of euros, which is expensive. The opponents also cite cyber-crime, high reporting costs, and possible overpayments of tax. The study emerges amidst these conflicts to shed more light on the pros and cons of executing MTD and enlighten its users of its significance or lack thereof.

Research Objective

The chief research objective of this thesis is to define the true impact of the Making Tax Digital initiative by highlighting the benefits of MTD, the concerns and looming costs.

Limitations to the Study

As Derntl (2014, p.110) asserts, academic studies should acknowledge and identify specific limitations which emerge from the findings and place them in their correct context. By delineating identified limitations, this also serves to suggest areas which may benefit from further academic research. The chief limitation that was evident throughout the study was the inadequate sources of informational materials pertaining this particular area of research: What is the true impact of the Making Tax Digital initiative. There is a notable insufficiency of reading materials, population reports, as well as demographics that can guide one through collection of valid statistics. The lack of ready information may be because the idea of MTD is still a proposal that is yet to be integrated in the system. Therefore, not many people or sources can really tell of how it works, its performance, benefits, and challenges. Even all the above benefits and concerns of MTD are just predictions and not tested proof. In overall, the lack of ready material necessitated intensive research for the appropriate content. The research was therefore time-consuming and lacked proper guidance from previous researchers.

Organization of Rest of Study

The rest of the study is in the following organization:

Methodology

The section will provide a systematic procedure of the method with which data collection was executed as well as the materials of research used.

The Benefits of MTD

The section will outline the advantages both the taxpayers and HMRC will enjoy should the MTD be put into play.

Costs and Concerns of MTD

The section will demonstrate the various concerns harboured by the UK residents over implementing MTD such as possible tax overpayments, high transition and reporting costs and cyber-crime.

Conclusion

The section will give a recap of the study and reviews the fulfilment of the research objective. The study can only be regarded as successful once it realizes its research aims and objectives.

METHODOLOGY

The chapter presents a systematic overview of the logical contexts, ideologies, and methodological principles adopted by the study in the collection of data used in the evaluation of the MTD initiative. The chapter features the data collection methods, the research approach, strategies, sampling techniques, ethical guidelines, as well as data analysis. The provision of the systematic methodology in a research thesis is important as it helps future researchers who may want to replicate the study to see whether they will arrive at the same results (Simonsen & Robertson, 2013).

Research Philosophy

A research philosophy entails the style with which knowledge is created (Bhattacharjee, 2012). As Øye, Sørensen, & Glasdam (2016) explain, *there are two chief research philosophies: the positivism and interpretivism styles*. Interpretivism encompasses the belief that knowledge exists within man's mind, social experiences, and descriptions of events and is, therefore, subjective to man (Øye et al., 2016). Interpretivism, therefore, holds that knowledge is created through experiencing the environment and describing it through one's own opinion, views, cognition and apprehension of the surroundings. Therefore, knowledge is descriptive and abstract in nature. Positivism, on the other hand, believes that knowledge already exists outside man and it is, therefore, objective in nature (Long, 2014). Positivism argues that the environment and all that surrounds us already existed prior to creation of man and man only discovered it much later. Therefore, knowledge is not subjective but objective and can only be proved true through scientific or statistical means (Cottrell, 2014). The current study adopts the interpretivism research philosophy since it is the most ideal method for narrative means and document reviews. Through document reviews, a pool of rich, contextual information is collected and evaluated.

Research Approach

Research approaches are in two main formats inductive and deductive approaches. A deductive approach, on one hand, focuses on the need to test study hypotheses (Simonsen & Robertson, 2013), while an inductive approach concentrates on forming new theorems (Bhattacharjee, 2012). The current project embraces the inductive approach to further explore on the MTD project. There is currently minimal literature on MTD mainly owing to the fact that the initiative is yet to be implemented. As Sharpe (2017) and Heritage (2017), predict, MTD shall be

put into effect in the year 2020. For this reason, little is known about MTD at this juncture, and therefore, no statistical evidence is in place yet. Therefore, deductive approach cannot possibly be used to collect data on MTD. Further, the absence of this information propels the researcher to carry out to use inductive means to explore more on this issue and gather more data from the few published peer reviewed journals and articles.

Research Strategy

Research strategy encompasses either quantitative or qualitative data. Øye et al. (2016) define *quantitative data as the numerical bits of information that are collected and tested statistically*. Qualitative data, on the other hand, is in a textual, abstract, and narrative format and has a tendency to retrieve a rich, complex exploration of the subject matter from multiple subjective perspectives (Simonsen & Robertson, 2013). For this current study, it was felt that an exploratory qualitative approach was most suitable. Since this project aims to collate and synthesize secondary documents, a qualitative methodology will help in sieving more information and thoughts on this topic.

Research Materials and Inclusion Criterion

The research materials for this article are drawn from an expansive scope of scholastic works in discussion on the MTD initiative by the government. The article derives its content from journal databases, scholarly articles, academic books, and professional websites as well. When conducting the systematic literature review, one needs to establish an inclusion criterion to know which sources to utilize and why it is best to use those (Simonsen & Robertson, 2013). The current article based its inclusion criterion on documents that relate to Making Tax Digital, its advantages, disadvantages, accounting costs and uses. All sources used were peer-reviewed in an attempt to make sure that the information contained therein is truthful, valid and authentic. In addition, the publication dates of the sources were less than five years from the time of their reading.

Ethical Issues

Sekaran & Bougie (2013) define ethical guidelines as *the set of principles that a researcher observes whilst conducting a research study*. Ethical guidelines help ensure that the researcher observes integrity, confidentiality of personal information and respect to all the study participants whilst carrying out the thesis. Of paramount interest is delivery of honest information and study results, proper use of study materials, proof of voluntary participation from the human respondents and protection of all participants from any bias be it emotional, religious, political, psychological and even physical harm (Saunders et al., 2007). According to Sekaran & Bougie (2013), *ethical undertakings also breeds morality and ensure that the author does not copy other people's works then present it as their own*. All data derived from any source must, therefore, be legally acquired and free of plagiarism. Concepts acquired from other researcher's works have thus been acknowledged through proper citations and end-of-text referencing.

BENEFITS OF MAKING TAX DIGITAL

As Sweet (2017) asserts, *numerous firms and accountants dread implementing the MTD initiative in contemplation that its administration will cost more than the current annual tax returns*. The Administrative Burdens Advisory Board (ABAB) as well as the Accounting Web is just a few of the bodies who are apprehensive about MTD's introduction because of the supposed costs it may implicate on small businesses and self-employed persons. The Federation of Small Businesses (FSB) also points out that MTD integration will also increase the taxpayer's workload, as they will now be forced to regularly update their tax accounts on a quarterly basis rather than annually (Smith, 2018). Other accountants are also concerned over the fact that MTD might be grounds for cyber-security risks, as all financial records would have to be uploaded and recorded online.

Houlder (2017), however, says that *the concerns about the implementation costs are misplaced because MTD will actually reduce the accounting expenses for companies in the long run*. Indeed, installation and incorporation of MTD into the business structures may be a bit costly, but these are just normal teething issues just like the integration of any other new system would be. Once it is fully incorporated into the day-to-day operations, administration costs for MTD will be miscellaneous. The system will be fully digitized hence accountants will be able to present their clientele with state-of-the-art services while at the same time increasing the productivity of their profession (Hall, 2017). The system will actually reduce the taxpayer's workloads since tax accounts can be accessed anytime, anywhere, and will be mobile. In addition, businesses will have the opportunity to self-assess themselves and correct any snarl ups in their tax returns instead of having to wait until end of the year. Furthermore, the program will not be put into force until the year 2020, hence giving businesses enough time to plan themselves. The rest of the chapter outlines the various benefits MTD is bound to avail to taxpayers.

Tax in Real-Time

Bartram (2017) argues that *incorporation of MTD will shorten the period that taxpayers need to wait to know how much tax they are required to pay*. Currently, the period is one year, but after MTD is effected, taxpayers can get to know their taxes in real-time. In this case, miscalculations during accounting costs can be unmasked at an early stage instead of having to wait until the year-end. The digital tax accounts used are smart and can easily detect certain inaccuracies and identify the operators to correct them to avoid a build-up of tax return errors and loss of revenue (Marshall Smalley Accountants, 2017). Hall (2017) also argues that *the new automated taxing will help decrease tax-due and repayments owed from arising since one will be able to log in anytime and see their tax balances before year-end*.

Automation of Tax Procedures

On a basic level, HMRC's proposal for MTD makes perfect sense. The modern-day world is advanced technologically in terms of e-commerce, e-learning, banking, advertising, business management and even social networking amongst many other activities (Sheards Chartered Accountants, 2018). There is, therefore, no reason to not integrate taxation and accounting into the internet as well. Online accounting will take over manual tax procedures and the reliance on paper ledgers hence making work easier while, at the same time, increasing

accessibility and convenience of tax filing. As Marshall Smalley Accountants (2017) avow, *the phase of paper ledgers and filing tax returns once in a year is long gone*. The world has crossed over to a new era where everything is digital. In addition, manual filings are quite tedious and also susceptible to erroneous entries. A minor error made in a financial ledger at the start of the year is not easily detectable until such a time when tax returns are being filed, which is probably at the year-end (KPMG, 2018). Failure to detect the error may mushroom into even bigger discrepancies over time and cost the company so much money to rectify the issue.

Improved HMRC Services

Tax collection authorities, particularly the HMRC, have been instrumental in introducing the MTD in corporations as from the year 2020. Their enthusiasm can be attributed to the several complaints made against manual tax filing methods which are said to be unreliable (Sheards Chartered Accountants, 2018). According to Seely (2018), *manual tax returns require accountants to spend plenty of time crosschecking whether businesses have abided by the tax compliance rules, in the process losing huge revenues for the government*. For example, the Exchequer, UK's national treasury, lost about £8 billion, in 2004, owing to avertible taxpayer errors such as lack of compliance and abuse of tax allowance schemes (HMRC, 2017). Later again, in the tax year 2014-2015, the Exchequer underwent losses of over £3.5 billion in its VAT returns thanks to taxpayer's avoidance of remitting taxes. Hence, implementation of the MTD will help minimize these losses and assist tax collection authorities detect any missing revenues within the system. Using online accounting software empowered with the cloud technology will, therefore help deflect such mistakes.

Improved Services by Accountants

As Ernst & Young (2017) avow, *enforcement of the MTD initiative will overhaul the accounting working terms and conditions*. To start with, accountants will no longer have to work at their desks from 9-5 (Bartman, 2017). Rather, they will achieve mobility and greater flexibility to even extend their jobs in remote areas as long as they can access the internet. They shall be able to offer sound accounting advice to their clientele over online platforms while gaining more control over their schedules. KPMG (2018) also adds that MTD will enable accountants to collect larger clusters of data, examine them with sophisticated software such as QuickBooks, and eventually assist business executives make improved decisions.

Increased Interactions and Transparency

Smith (2018) emphasizes that digital tax accounts will enhance interactions and transparency between the tax collection authorities, in this case the HMRC, versus the taxpayers. As Kerschner & Somare (2017) state, *one of the reasons why tax compliance is burdensome is because of the poor access to HMRC's tax regulations*. Most taxpayers frequently complain that most of the regulations are vague and difficult to understand (Salanié, 2011). Others claim that there is an almost total lack of common regulations and applicable guidelines that clearly apply to the filing of tax returns. Enforcing MTD will, therefore, facilitate a convenient on-the-fly access to regulations. Customers shall be able to see any updates that the HMRC puts forth, be acquainted with current information, and give feedback. In other words, MTD will create an enhanced communication channel between the HMRC and businesses, strengthening their

relationship, elevating data transparency and increasing the autonomy on policy development (KPMG, 2017).

Open Doors to Increased Statutory Services

As the HMRC (2015) project, implementing MTD is a move that will advance technological innovation in the UK and help house holders access more government services besides their online tax accounts. MTD will definitely open the way for digitized bureaucratic procedures such as free access to view how contributions to the national insurance impact householder's state pension. HMRC (2015) also claims that small business owners will get an online, virtual platform with which they can easily link with statutory departments whenever they need customized/ personal assistance from the government with regards to the growth of their businesses. The online tax accounts will have numerous help centres and support facilities that will specifically cater to every individual at a time. Hence, the innovation will help taxpayers receive the best customer care service in the shortest time possible as opposed to having to physically visit the HMRC offices and waiting in long queues just to get the help they need. HMRC (2015) also stress that MTD will greatly benefit those people that handle more than one tax accounts because, contrary to the traditional paper filing tax reporting, MTD will provide a single business service where taxpayers can merge all their accounts and just report them as one single account. The merging of the numerous tax accounts into one generalized platform will surely help people save plenty of time, money and paper work.

COSTS AND CONCERNS OF MAKING TAX DIGITAL

The chapter addresses all alarms raised over the implementation of Making Tax Digital and how to solve them. As Houlder (2017) states, *numerous concerns over the exertion of MTD are still prevalent in the business world*. Besides the dreaded additional costs of installing digital accounting software, Sharpe (2017) also says that *automating the tax return system will definitely work against small businesses and trusting citizens*. Once a system is digitized, there is always the worrying concern of cyber security, scammers and money fraud (Eden, 2017). There are also issues of overpaying their tax particularly when the return forms are put together by governmental bodies. The rest of this chapter sheds light on these issues.

Cyber Security

According to Drysdale (2016), *MTD equals putting the tax system onto a digital platform, which is a ground for cyber theft and possible network security threats*. Computer hacking, amongst many other security vulnerabilities, has long been an issue of concern in the contemporary IT society. Hackers may access the online tax accounts with intent to steal or alter financial statements or cause computer glitches such as program bugs or administration hiccups. Taxpayers may be worried about hacking and other cyber security threats because of the: Imminent dangers such as mysterious cash transfers and arcane monetary transactions; identity theft and leaking of corporation's fiscal information which leads to expensive audit corrections and increased tax payments (Heritage, 2017).

As Williamson (2015) alleges, *cyber security nowadays has become rampant because of the over-reliance and dependency on technology in present-day enterprises*. Clarke & Papadaki (2008) give an example of a data breach/siphoning of information that occurred at the U.S.

Office of Personnel Management (OPM) in 2015, in the month of June. The OPM is a statutory office that handles matters concerning the hiring, promoting and pension schemes of the federal staffs (Koerner, 2016). Being a governmental agency, the network parameters at the time were considered as high-level security and could survive any security breaches. However, in June 2015, the OPM made national headlines when massive personal data regarding the employees had been breached and stolen from the corporation's databases.

On the morning of June 2015, one of the security engineers at OPM, Brendan Saulsbury, *noticed an unusual outbound traffic of data from OPM's Wide Area Network (WAN)*; the traffic seemed to crossing over from the WAN network to an illegitimate port (Williamson, 2015). The data siphoning was cause for an alarm and triggered Brendan to keenly monitor the system and see where the problem might be. Further assessments revealed that, indeed, the network was under siege of outside hackers who had been siphoning personal employee data for a long period of time now without being detected. The hackers had so far managed to get access to data such as the employee's pay history, dates of birth, the Social Security Numbers (SSNs), life insurance coverage, as well as the pension schemes (Williamson, 2015). Koerner (2016) says that *the hackers stole data for over 21.5 million employees and this could be grounds for identity theft among many other scams*. When asked who they thought was behind the ordeal, several U.S. state officials proposed that the hackers could have been the high-ranked Chinese personnel, whom they knew had highly advanced technology capable of hacking into the U.S. OPM (Koerner, 2016). The news about the OPM data breach shocked the world and helped agencies realize the need of advanced security measures and software, such as the Intrusion Detection Software to curb against future cyber-crimes.

Tax Overpayment

Drysdale (2016) also points out to the *possibility of taxpayers overpaying their annual taxes if they are not keen in assessing their tax return forms and accounting for each and every cost*. An analysis conducted by the Institute of Chartered Accountants in England and Wales revealed that automatic preparations of tax returns by the government may cause taxpayers to pay more than what is due (Hannam, 2017); mainly because tax deductions, many a times, depend on facts and figures unavailable to tax agencies (The Stationery Office, 2016). Therefore, hidden charges/deductions may be applied without the knowledge of tax administrators or even the taxpayers, who then end up paying more than they should have paid.

High Transition and Reporting Costs

The most worrying concern about incorporating the MTD program is the high costs of reporting. As Houlder (2017) argues, *the involved costs encompass transitional and reporting costs*. To begin with, businesses will have to foot about £870m for transitioning from the bureaucratic paper-filing format of tax reporting to the modern digitized taxation system (KPMG, 2018). Out of the £870m, small businesses will be required to devote about £330m in procuring the requisite hardware for the facilitation of MTD (Drysdale, 2016). The required hardware will include computers, smart phones, main servers and tablets with which to install and access their online tax accounts. The FSB is particularly worried about the cost that may be implicated on the small businesses who do not have as much capital to spare compared to big corporations. Large corporations, such as Google and IBM amongst many others, may not have to spend so much on acquisition of new hardware because they, most probably, have such

equipment in place already. However, small businesses do not have such sophisticated equipment and will be forced to purchase them in order to comply with the new HMRC rules.

Besides the transition costs, there are also additional reporting costs. Since MTD will change the face of tax reporting from once a year to four quarterly disclosures, the costs of disclosing tax returns four times in a year are expected to increase (Houlder, 2017). A study conducted by the Centre for Economics and Business Research (CEBR) revealed that the reporting costs will be around £2,770 while the FSB forecast that small businesses will have to spend about £3,000 per year. There seems to be a huge conflict between the FSB's and CEBR's estimated costs versus the £280 figure put across by the U.K. government. The FSB argue that the reporting costs cannot possibly be £280 only since tax reporting will now be quarterly and not once in a year. There will also be need for employing new staff including accountants, auditors and technical personnel who are well-trained in the administration of the automated tax reports and online accounting software.

As KPMG (2018) asserts, *all these additional expenses may coerce businesses to pay for liabilities which are worth tax payments for two years*. Therefore, if the MTD is being truly executed, firms will have to stockpile cash in readiness for the approaching tax bills. As Hall (2017) claims, *stockpiling of cash might have an adverse effect on the U.K. economy as it will call for hoarding of funds by the firms instead of putting the money in investments or utilizing it in other transactions such as business expansion, payment of salaries, Merger & Acquisitions (M&A) agreements, and service quality promotion*. At the moment, the U.K. economy cannot afford businesses hoarding money instead of spending it. Ping-fu & Chan (2014) explain that *hoarding of money may lead to yet another credit crunch, similar to the case in 2007/2008 when banks hoarded cash reserves and refused to use it in furthering economic investments and lending credits to borrowers*. Subsequently, the economy deteriorated as there was little money in circulation to buy and sell. Therefore, inflation increased due to the high cost of living at the time. Firms could no longer afford to pay their staffs; therefore, many people were laid off. Unemployment increased and business transactions dampened. The economy was quickly declining due to the severe credit crunch (Vogel, 2010). Therefore, another occurrence of a credit crunch (brought about by stockpiling of cash in readiness for the new MTD program) could see a resurgence of the financial crisis that occurred in 2007/2008. The U.K. economy is just recovering the effects of the 2007/2008 financial crisis and cannot stand to plunge in another economic disaster just yet.

As Sharpe (2017) says, *the MTD proposal has definitely caused uproar among the U.K. population and created a large group of protestors (about 100,000 protestors) to move to court and petition for the scrapping of the MTD*. The impending costs are too high and will cause financial drawbacks for the corporate and individual taxpayers. What is worse is that the HMRC is seemingly not going to provide any financial assistance to the taxpayers to adopt the MTD program. For this reason, the Chairman of the Treasury Committee, Mr. Andrew Tyrie, has made a formal written request to the Administrative Burdens Advisory Board (ABAB) to counsel HMRC and see how best to dispense MTD in the simplest yet feasible and affordable business framework (Heritage, 2017). Tyrie also pointed out the huge discrepancies between FSB's and the HMRC's estimations of transition costs and urged the ABAB to conduct a pilot study investigating which estimation is closer to the truth. Information on the costs will definitely help each taxpayer to fully prepare themselves in anticipation of the year 2020 when MTD shall be integrated. At least, businesses will search for affordable options as the HMRC also eases the MTD requirements.

CONCLUSIONS

Summary

The segment embodies the final/conclusions chapter of this article. Of paramount significance in this chapter is to assess whether the study has been successful in terms of fulfilling the research objective outlined in the introduction chapter. The research objective of the study was to define the true impact of the Making Tax Digital initiative by highlighting the benefits of MTD, the concerns, and looming costs. The chapter additionally outlines the limitations to the study and recommendations for future research.

What is the True Impact of MTD?

Despite the various apprehensions brought forth by the FSB and other small business associations, MTD is generally a worthwhile project to implement come the year 2020. Following the systematic literature review above, it is evident that MTD has numerous benefits to offer including: (1) Tax in Real-Time; (2) Automation of Tax Procedures; (3) Improved HMRC Services; (4) Improved Services by Accountants; (5) Increased Interactions and Transparency. Tax reporting should certainly be digitized to pave way for automated tax returns and definitely get rid of the bureaucratic paper-filing tax forms. The contemporary world is turning away from analogue methods of doing things and towards advanced technology innovations. The benefits of automated systems are many judging by the mobility, fast access to information, increased creativity, virtual communication channels and increased social networking platforms. Automating tax reports will also definitely benefit from all these technology innovation advantages and become a better and smoother task for taxpayers and accountants at the end of each tax-reporting period.

Regarding the concerns and costs of the initiative, it could be that the preliminary costs for transitioning and installing MTD may be expensive, but as the HMRC reaffirms, these are just normal teething problems that came about with just any other new proposal. Furthermore, the idea is still under debate and much discussion in the parliament in search for a better, simpler, yet feasible and affordable delivery of the new system. Therefore, the HMRC will, most presumably, conduct more Research and Development (R&D) schema in pursuance of a more elementary version of the MTD that will fit the needs and preferences of all its users. Regarding the cyber security issues and vulnerability threats, there are many software solutions to this problem. One profound software for preventing online security issues is the Intrusion Detection Software (IDS) which has advanced parameters to detect any cyber-crimes such as Denial-of-Service attacks (DOS), ping of death, SYN attacks, eavesdropping, spoofing, User to Root attack (U2R) and log on abuse attacks amongst many others.

RECOMMENDATIONS FOR FUTURE RESEARCH

Since the current study was based on a prospective tax report technological innovation that is still yet to come, future studies may be conducted once MTD is actually put into force in 2020. At least then, hard and tested evidence will be readily available for collection and analysis. Better results and outcomes will be achievable once the initiative is enforced in the tax systems, not just in the UK, but also, hopefully, in the rest of the world. In this manner, future researchers will make more concrete evaluations based on more solid research methodologies such as

interviews, direct participation, survey questionnaires, opinion polls, observation, grounded theory and case studies.

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