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Modernising and standardising company tax returns

Response from ICAS

Modernising and standardising company tax returns

1. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 24,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 12,000 of our members are based in Scotland and 10,000 in the rest of the UK.

2. The following submission has been prepared by the ICAS Tax Board. The Tax Board, with its five technical Committees, is responsible for putting forward the views of the ICAS tax community; it does this with the active input and support of over 60 committee members.

3. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good. From a public interest perspective, our role is to share insights from ICAS members into the many complex issues and decisions involved in tax and regulatory system design, and to point out operational practicalities.

General comments

4. We welcome the opportunity to respond to the HMRC consultation Modernising and standardising company tax returns.

5. We recognise the increased divergence in presentation and XBRL tagging and the emergence of some suppliers who provide substandard products to the market outlined in the introduction of the consultation.

6. Taxpayer reliance on software products as an alternative to the services of a tax agent may have adverse implications for the taxpayer and the businesses of our members who are tax agents. Reliance solely on software without the corrective oversight of a tax adviser potentially increases the likelihood of taxpayer error, particularly if the software relied upon is sub-standard.

7. We therefore support attempts to address sub-standard software, whether through increased standardisation as envisaged in this consultation, or by other means. A level playing field for taxpayers is fundamental to maintaining and enhancing trust in the tax system.

Specific Questions

Question 1: Is the proposed 6-month collaborative development period sufficient to refine the prescribed computation requirements? Please explain your reasoning.

8. We have no comments on this question.

Question 2: Will the proposed approach of a limited roundtable participation provide effective coverage?

9. We have no comments on this question.

Question 3: Do you agree that 12 months from receipt of full prescription requirements is enough time to deliver finalised products? If not, explain your reasoning.

10. We have no comments on this question.

Question 4: Is a 12-month pilot phase sufficient to identify and resolve implementation issues?

11. We have no comments on this question.

Question 5: Do you foresee any issues, risks or unintended consequences from publishing an Approved Corporation Tax Software Product List?

12. In the context of multiple submission deadlines relative to accounting dates for the corporate taxpayer population, the specified date in any notification to the taxpayer that future submissions using the current product will no longer be accepted should be carefully considered. The specified date must provide the taxpayer with a realistic, adequate timeframe to select a new provider from the Approved Software Product List and comply with their obligations for the future period without excessive compliance burdens or undue time pressure in relation to future submission deadlines.

13. In order to maintain a level playing field, software on the Approved Software Product List should, in addition to passing HMRC testing and meeting all prescribed formatting and XBRL tagging requirements, also have broadly the same features and capabilities. An unintended consequence for taxpayers of a 'meeting minimum standards' approach may be a non-level playing field. This could arise when only some of the software on the Approved Software Product List has capabilities or features beyond the minimum standards eg the use of digital nudges as identified in some MTD for ITSA software. Taxpayers should be able to identify and understand the full extent of software capabilities beyond the minimum standards, evidenced by inclusion on the Approved List, prescribed by HMRC.

Question 6: Do you see any practical challenges in validating only the prescribed sections of software that have been updated, rather than re-validating the entire product? Please explain, and where possible, provide examples.

14. We have no comments on this question.

Question 7: Do you have any concerns about the proposal to block submissions that do not meet the software standard?

15. As per our comments at point 12 above, it is important that taxpayers are not subject to additional compliance burdens or adverse penalty consequences purely as a result of failures by the software provider or when the technology itself, however well designed or implemented, does not work as intended. It is critical therefore that timeframes for informing taxpayers relative to any future submission deadlines are properly considered and are sufficient to enable taxpayers to continue to comply with their obligations without undue additional administrative burdens or unfair potential exposure to penalties.

16. We suggest that consideration be given to the application of a 'soft landing' for penalties for an appropriate period, as has been the case for the first year of Making Tax Digital, or the exercise of discretion by HMRC on penalties to allow for potential unforeseen circumstances or implementation difficulties.

Question 8: Do you have any comments on the proposed approach of a unique identifier for each product, including any operational or security considerations we should take into account?

17. We are aware that in practice, using multiple software providers can create additional administrative burdens for taxpayers. We therefore believe that it is important to fully understand the consequences of one of many unique identifiers used by a taxpayer in the different stages of preparing their Corporation Tax return failing to conform, and the consequences for the taxpayer of having to replace only a part of their submission process. The same comments regarding notification and timeframes as in previous points are also relevant here and should incorporate time to enable taxpayers to properly integrate new software into their processes.

Question 9: If bridging software is used, would users need to be informed in advance of key revocation?

18. As noted in previous comments, any change in the status of software used by taxpayers should be communicated to them as early as possible in order to minimise the risk of adverse consequences or undue additional administrative burdens.

Question 10: Do you have any comments on the proposed multi-step process (review, warning, temporary removal from the whitelist, gateway rejection and possible publication on a block list) appropriate to address non-compliance?

19. We have no further comments on this question.

Question 11: Do you have any concerns with the proposal to introduce monetary penalties as a sanction for deliberate or repeated non-compliance by software providers?

20. We support appropriate penalties for non-compliance by software providers. Taxpayers should not face penalties for non-compliance that is wholly or mainly due to software becoming non-compliant, without being given reasonable notification of that fact, as noted in earlier comments.

Question 12: Do you agree with the proposal to lock tags in software products to prevent users from altering them?

21. We agree that the objective of the consultation would be more likely to be achieved by implementing the proposal to lock tags.

Question 13: Are there circumstances in which users should be permitted to edit or override locked tags? If so, what safeguards should be in place?

22. We have no comments on this question.

Question 14: What potential technical or operational challenges might arise from implementing locked tags in tax computation software?

23. We have no comments on this question.

Question 15: Could locking tags adversely affect usability or the flexibility required for accessibility adjustments? Please elaborate.

24. We have no comments on this question.

Question 16: Are there any types of amendment that should be excluded from mandatory online filing? Please explain your reasoning.

25. We have no comments on this question.

Question 17: Are there particular customer groups likely to be disproportionately affected? If so, please explain how.

26. We have no comments on this question.

Question 18: Do you agree that mandatory online filing for amendments from 1 April 2027 is reasonable? If not, what alternative date would you suggest?

27. We have no comments on this question.

CA House, 21 Haymarket Yards, Edinburgh, UK, EH12 5BH
+44 (0) 131 347 0100
connect@icas.com
icas.com

@ICASaccounting
ICAS – The Professional Body of CAS
ICAS_accounting
ICAS_accounting