

## Company Press Release on HMRC's Making Tax Digital for VAT Programme

### Provisions Incompatible with Business and Government Needs

26th November 2018

Following the Report of [the Economic Affairs Committee \(2018-11-22\)](#), key flaws in the planned *Making Tax Digital for VAT* transition have been highlighted as a major cause for concern.

**In summary:** from April 2019 all accounting software tools for VAT registered companies must be taken from a list of proprietary suppliers, precluding the use of open source software tools.

#### Our concerns:

Flax & Teal considers **viable open source options** to be a core criterion for any business-critical component. This is a commitment we make to our clients, across our infrastructure, administration and consultancy. As a minimum bar, any proprietary products must be replaceable with vendor-unlocked, accountable, transparent and verifiable products, if and when required. The Government's own stated objectives highlight those merits of open source, in public sector production and usage.

Fundamentally, **companies cannot stand over the behaviour of third-party software that cannot be openly, independently examined or corrected.** We do not believe that the Government wishes, or is in a position, to provide such guarantees itself – neither can HMRC reasonably require them from taxpayers, when any auditable alternative is barred.

## Unsustainable and incompatible:

Flax & Teal is willing to pay for commercial open source, at higher rates than proprietary products, recognising that added value. We may also consider proprietary tools where we can verify output against equally-endorsed open source alternatives. However, if HMRC proceeds in banning the tooling that allows us to maintain our commitments, this creates an unsustainable position. *Making Tax Digital for VAT*, as it is outlined in this Report, is **therefore incompatible with this company's founding ethos and basic business practices.**

While we commend the Committee for challenging (4.57) the requirement for businesses to pay a list of private suppliers, we would add that **free tools are only reliable where the underlying code is publicly available.** Moreover, having an open base vastly increases the scope for innovative IT businesses to build approvable extensions for agriculture, charities or other specialised sectors within HMRC's MTD timeframes.

This may be achieved by, for instance: the creation of HMRC's own open reference solution, direct development contribution or financial support to existing non-commercial open source tools, tendered innovation to stimulate development of approvable commercial open source tools or, failing those, an exemption from approval requirements for open source tools.

**Phil Weir, Director, Flax & Teal, issued the following statement**

*'In an era where the Government has championed open source, open data, open banking and open standards, Making Tax Digital for VAT is out of step. We call upon the Government to ensure that no such mandate occurs before compliant open source options are available to UK companies.'*

ENDS

**For further details on Flax & Teal's open source business practices, or to talk to us directly please contact [info@flaxandteal.co.uk](mailto:info@flaxandteal.co.uk)**