

LEVEL 5 ASSESSMENT SPECIFICATION

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Programme:	BA Business Portfolio		
Module:	Taxation		
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Lecturer:	Nicola Lewis	Internal Verifier:	Richard Dunstan
Assignment Title:	Current Issues in taxation	Word count (or equivalent):	2,500 words
Submission deadline:	04-04-2025	Return date of provisional marks & written feedback:	Within 20 working days of submission
Submission method:	All written assessments, where practical and possible, must be submitted via Turnitin unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into Turnitin or it will match many similarities with other students' submissions.) Alternative submission method (if applicable): Late submission of the assessment will result in a late penalty mark. Penalties for late submission: Up to one week late, maximum mark of 40%. Over one week late, 0%. Only the Extenuating Circumstances Panel may approve a change to submission dates.		
Academic honesty / referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

Module Learning Outcomes (from module syllabus)

Explain the function and structure of the professional accounting bodies in the regulation of the practice of their members in support of Company Law, and in pursuit of better standards of financial reporting in the UK.

- Think constructively and be given opportunities to address specific concepts and make judgements.

MAKING TAX DIGITAL FOR ALL TAX TYPES

1.0 INTRODUCTION

Tax is a form of compulsory financial contribution to the government by an individual or business that makes public expenses, like infrastructure, education, and healthcare (Uchechukwu, 2024). Taxes can be income tax, corporate tax or the value added tax (VAT), capital gains tax, and corporate tax. The structure of the taxes in the various jurisdictions differ, but almost all countries have a statutory and a regulatory basis for controlling the conditions of tax, and noncompliance may result in penalties and legal consequences.

Technology advancement has caused many governments to shift towards a digital taxation system which ensures tax administration and compliance. Online or digital taxation is the method by which digital platforms and software are used to measure, collect, and report tax returns. The importance of this transition is especially great in the modern economy in which traditional paper based tax administration is not very efficient and where businesses operate across jurisdictions. The digital taxation system allows for real time data submission, automatic calculation and accommodating accounting software without errors and accuracy in tax reporting (Putri et al., 2025).

The importance of a digital tax system cannot be overstated. Firstly, it promotes tax compliance by making it easier for individuals and businesses to accurately report and pay their taxes (Chen, Grimshaw and Myles, n.d.). Automation can be established to reduce errors made by human beings, hence proper tax calculations and submissions made at the right time. Secondly, all digital systems for tax have improved transparency and reduced tax evasion. Authorities will be able to easily integrate with financial and accounting software that will allow them to monitor financial transactions more effectively; it will be easier to keep tabs on financial activities such as individuals or businesses overstating expenses or under-reporting income.

Additionally, digital tax systems make the process more efficient and easier on the administrator as well. Returns can be processed faster by the tax authorities, refunds can be issued faster, and delays caused by manual processing can be minimized. For instance, the United Kingdom introduced the Making Tax Digital (MTD) initiative under the Finance Act 2009, later expanded by the Finance Act 2021, which mandates businesses and individuals to maintain digital records and submit tax returns through approved software (Melville, 2022, p. 14).

A digital tax system also helps in making trade across borders easier, and would therefore support the economy. With more and more businesses turning digital, digital tax rules mandate that multinational companies pay their share of taxes. Therefore, they stop companies from using tax loopholes so that they don't pay taxes. In *Google Ireland Ltd v. Commissioner of Revenue* (2021), tax authorities used digital tax laws to determine how much tax an international online business had to pay.

Finally, the move towards a digital tax system is an essential step in the evolution of current tax administration. Third, it improves compliance, makes information more transparent, cuts down on red tape, and reduces economic unfairness. Over the coming years, legal frameworks and case laws will be key to how governments can refine their digital tax policies and how digital taxation can be effective for all tax types.

2.0 LITERATURE REVIEW: MAKING TAX DIGITAL FOR ALL TAX TYPES

Making Tax Digital (MTD)

MTD is a major initiative by the UK government to modernize tax administration. This means businesses and individuals have to keep digital records and file their tax returns using HMRC approved software. It increases accuracy, lessens errors and guarantees tax submissions on time.

VAT Digital Filing System

Under MTD for VAT, businesses have to make digital records and send VAT returns electronically through compatible software when their turnover is greater than or equal to the VAT registration threshold. It makes administrative work less burdensome and more compliant.

Pay As You Earn (PAYE) Digital Reporting

This can be achieved using the PAYE system where employers can digitally report income tax and National Insurance contributions in real time to HMRC. This way the tax deductions will be correct and up to date.

Self Assessment Online Filing

Filing your tax returns digitally using the HMRC self assessment online system is possible for self employed individuals and those with other income sources. The tax filing process becomes easier, and there are instant calculations.

Corporation Tax e-Filing

HMRC's digital services require companies in the UK to file Corporation Tax returns online. This helps in increasing the efficiency and decreasing the paperwork.

Digital Services Tax (DST)

In 2020 the UK introduced DST in order to tax large digital businesses based outside the UK that monetise from UK users. This also targets online marketplaces, search engines, and social media platforms to assure that digital companies are properly taxed.

TYPES OF TAXES THAT CAN BE MADE DIGITAL

Different types of taxes can be applied to digital tax systems to simplify the processes of collecting and compliance taxes. The main types of taxes (which were or could be digitized) are (Sultanova, Alimbekova and Espaeva, 2021) :

Income Tax

The government approved software in which people and businesses can file their income tax returns individually. It reduces errors and accelerates the refund processing.

Value-Added Tax (VAT)

Under MTD, businesses have been required to keep their digital records and file returns electronically resulting in digitizing of VAT reporting and payment.

Stamp Duty Land Tax (SDLT)

SDLT payments incurred from property transactions are now electronic and hence ease the payment process for homebuyers and businesses.

Capital Gains Tax

Individuals and businesses in the UK are able to report capital gains tax online, making it easier to declare profits from the sale of assets.

National Insurance Contributions (NICs)

Employers submit NICs via the PAYE system so that the data goes into real time and is in compliance with tax laws.

All these taxes are an advantage of digitization – online systems are able to be more efficient, reduce errors, and improve tax compliance. By expanding digital tax solutions, the UK continues to modernize its tax administration to support individuals, businesses, and the economy.

3.0 OVERVIEW OF DIGITAL TAX SYSTEMS

The table below provides a historical background and overview of digital tax systems in the UK:

Tax Type	Historical Background	Digital Functionality
Income Tax (PAYE & Self-Assessment)	Introduced in 1799, modernized with PAYE in 1944. Digital self-assessment introduced in the 2000s.	HMRC is a software which allows employers to report tax deductions in real time. People who are self-employed file online using the Self Assessment system (GOV.UK, 2024).
National Insurance Contributions (NICs)	Introduced in 1911. Digital PAYE system implemented for real-time reporting.	The NICs are submitted digitally by employers through PAYE, which ensures that the contributions are accurate.
Capital Gains Tax	Introduced in 1965. Online filing option available since the 2010s.	HMRC's digital platform allows you to report capital gains tax online if you are an individual or business.
Inheritance Tax	Introduced in 1986, replacing Capital Transfer Tax. Still largely paper-based.	Limited online tools for calculating liabilities, but no full digital filing system yet.
Corporation Tax	Established in 1965 for businesses. Digital filing became mandatory in 2010.	HMRC has mandated that businesses submit their returns online via HMRC approved platforms to cut errors and paperwork (GOV.UK, 2020).
Value-Added Tax (VAT)	Introduced in 1973. MTD for VAT was implemented in 2019.	If businesses earn over the VAT threshold, they will have to keep digital records and file VAT returns electronically (Libson Paul, 2019).

Digital Services Tax (DST)	Implemented in 2020 to tax tech companies generating revenue from UK users.	HMRC collects revenue and tax from large digital businesses through their website (Davies and Emerson, 2022).
Council Tax	Introduced in 1993. Payments are typically managed locally.	Digital payments accepted, but not fully integrated online filing system for declarations' purposes.
Excise Duties	Dates back to the 17th century. Still manually processed for some industries.	Some excise duty payments can be made online, but full digital reporting is not yet mandatory.

Some tax types, such as Inheritance Tax, Excise Duties, and Council Tax, have not fully transitioned into a digital system. Here's why:

Inheritance Tax (IHT) – While payment of IHT over the internet is available, the actual filing process is still largely paper based (Pfeuti, 2018). This is because estate valuations, exemptions, and the specifying of legal documents that support such records, such as wills and probate records, are very complex. The biggest issue is that it would have to be integrated with legal and tax systems in one comprehensive platform completely in the digital form, and so far, this has not been completely possible.

Excise Duties – These taxes apply to specific goods like alcohol, tobacco, and fuel. Some of the elements that go into reporting have been digitized, but not in a way that is fully automated since the impact of these has regulatory requirements, cross border trade considerations, and need for physical inspections and compliance verification.

Council Tax – Although payments can be made digitally, the system is managed at the local authority level, meaning digitalization varies by region. There is no standardized online platform for filing council tax declarations, which limits full digital integration.

4.0 DISCUSSION AND RECOMMENDATION

Tax Administration in the UK has been completely altered due to the transition from traditional to digital tax systems. Traditional tax systems were based on the paper filing and paper processing; however, digital tax systems brought in automation to the system, making it more efficient and accurate. In this section, we will identify the differences between the traditional and digital tax systems, the benefits, the areas of improvements, the implications to stakeholders and recommendations on how the digital tax administration can be improved.

COMPARATIVE ANALYSIS: TRADITIONAL VS. DIGITAL TAX SYSTEMS

Taxpayers used to be forced to fill out paper forms and submit those to the authorities physically or through post. With all of these tax returns to process, it was a time consuming and error prone process of manual calculations. In addition, a lot of compliance monitoring was problematic because files were in physical form documents and a tax authority could not track fraudulent activities. The administrative burden was high, with significant resources dedicated to reviewing, verifying, and storing tax documents.

Digital tax systems, however, use technology to define tax processing, which is real time, automatic calculations and filing. The UK's Making Tax Digital (MTD) initiative has significantly reduced human errors by integrating tax filing with accounting software. With the help of digital platforms giving automated reminders to taxpayers, they can meet deadlines and fulfill certain regulations without any problems. Additionally online records promote transparency which is an opportunity to decrease opportunities for fraud and tax evasions (Rumasukun and Noch, 2023).

However, the advantages in having a digital tax system are still present. For instance, inheritance tax and some excise duties have not yet been fully digitalised. In addition, small businesses and individuals who lack access to technology have a hard time complying with digital taxation systems.

BENEFITS OF DIGITAL TAX SYSTEMS AND AREAS FOR IMPROVEMENT

There are two other huge benefits of digital tax systems. Automation is first used to increase efficiency by decreasing processing times and real-time access to tax records (HM Revenue & Customs, 2024). Secondly, the error detection mechanisms in digital platforms reduce the calculation errors to a great extent and make tax filings more accurate. Thirdly, digital tax systems promote better compliance through automated reminders and accessible online records, reducing instances of late or incorrect filings. Moreover, businesses and individuals experience cost savings by reducing paperwork and administrative burdens. The transparency of digital tax systems also makes it easier for authorities to monitor transactions and detect fraudulent activities.

While these benefits are great, digital tax systems still need some adjustment for inclusivity and security. One major challenge is the digital divide, where individuals and businesses with limited technological skills struggle to comply with digital tax regulations. Additionally, cybersecurity risks pose a significant threat, as online tax platforms may be vulnerable to hacking and data breaches (Putra, Imam Muklis and Hadi, 2024). Another concern is system integration, as some businesses find it difficult to align HMRC's digital tax systems with their existing accounting software. To address these challenges, further investments are needed to strengthen user support, enhance security protocols, and improve system interoperability.

IMPLICATIONS FROM STAKEHOLDER PERSPECTIVES

Different stakeholders are affected by digital tax systems in various ways. Digital taxation helps the government (HMRC) to collect more tax, reduce the gap for fraud and reduce administrative burden. However, it requires ongoing investment in infrastructure and cybersecurity. Businesses, particularly small enterprises, benefit from streamlined tax reporting but may struggle with compliance costs and adapting to digital tools. Individuals, especially self-employed taxpayers, experience greater convenience with digital filing, but older individuals or those without reliable internet access may face difficulties.

Tax professionals must adapt to changing regulations and increased reliance on digital advisory services. Lastly, technology providers see increased demand for tax software, driving innovations in digital finance solutions.

FIVE KEY RECOMMENDATIONS

To ensure the continued success and improvement of digital tax systems, several measures should be taken:

Expand Digital Access & Education – The government should provide more training and support for individuals and small businesses unfamiliar with digital tax systems. Workshops, online tutorials, and helplines could help users navigate the digital transition.

Enhance Cybersecurity – Secure measures like multi factor authentication and encryption will strengthen security of data of taxpayers from cyber threats.

Improve System Integration – HMRC should work closely with software providers to ensure seamless integration between digital tax platforms and widely used accounting tools, reducing administrative difficulties for businesses (GOV.UK, 2020).

Flexible Digital & Manual Options – While digital tax systems improve efficiency, alternative methods should remain available for those who struggle with technology, ensuring inclusivity.

Leverage AI & Blockchain – The use of artificial intelligence for automated audits and blockchain technology for secure, tamper-proof records can further enhance accuracy, security, and transparency in tax administration (Yaroslava, 2024).

5.0 CONCLUSIONS

The UK tax system became much more efficient, accurate and transparent with the shift from manual tax administration in favor of the digital one. Making Tax Digital has also led to streamlining of processes for income tax, VAT and corporation tax which lessens errors and simplifies compliance for taxpayers.

Despite these benefits, challenges remain. Inheritance tax and excise duties are still largely paper taxes. Furthermore, people and small businesses without easy digital access struggle to accommodate the system. There is also a need to pay attention to cybersecurity threats and system integration issues.

In order to fill these gaps the government should extend digital education, enhance cyber security, increase software integration, and provide flexibility of compliance. Technologies like AI and blockchain can also be incorporated to improve security and efficiency further.

Overall, digital tax systems have clear benefits, and they can be made more accessible, inclusive, and resilient for all users, but further improvements are still needed.

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STUDENT FEEDBACK FORM

This section details the *extent* to which the assessment criteria are demonstrated by you, which in turn determines your mark. The marks available for each category of skill are shown. Lecturers will use the space provided to comment on the achievement of the task(s), including those areas in which you have performed well and areas that would benefit from development/improvement.

Generic Assessment Criteria	Marks available	Marks awarded
1. Engagement with Literature Skills	15	
2. Knowledge and Understanding Skills	30	
3. Cognitive and Intellectual Skills	25	
4. Practical Application Skills	25	
5. Transferable Skills for Life and Professional Practice	5	

Assessment Mark (Assessment marks are subject to ratification at the Exam Board. These comments and marks are to give feedback on module work and are for guidance only until they are confirmed.)	Late Submission Penalties (tick if appropriate)		%
	Up to 1 week late (40% Max)		
	Over 1 week late (0%)		