

Making Tax Digital

In its first line of communications about Making Tax Digital ("MTD") HM Revenue & Customs identified four key foundations to its objectives:

Better Use of Information

HMRC will not require you to provide them with information they already hold direct from sources (e.g. employers, banks). Everyone can hold a digital tax account and you will be able to see what information HMRC have, and if its correct and complete.

Tax in Real Time

HMRC will collect and process information as close to real time as possible to prevent errors, rather than waiting until the end of the year or longer to know how much tax is due.

Interacting Digitally

You, as the taxpayer (and us acting as agents) will be able to interact with HMRC digitally, at a time that suits you. This is likely to be through a secure messaging facility through your online digital account.

A Single Financial Account

By 2020, you will be able to see a comprehensive financial picture of your digital account, just like online banking.

The original scope of MTD involved income taxes, private landlords and VAT registered businesses. An announcement made in June 2017 delayed the entire timetable until at least 2020, with the exception of VAT registered businesses. A VAT registered business with turnover greater than the threshold (currently £85,000) as of April 2019 will be required to:

VAT

Records

Maintain VAT records digitally for a period of 6 years

Quarterly Returns

Provide HMRC with quarterly returns (at the very least) using **MTD compatible software**

VAT registered businesses below the threshold are not required to use new software, but may opt in voluntarily.

More information will be available in April 2018 to enable software developers to meet HMRC's requirements.

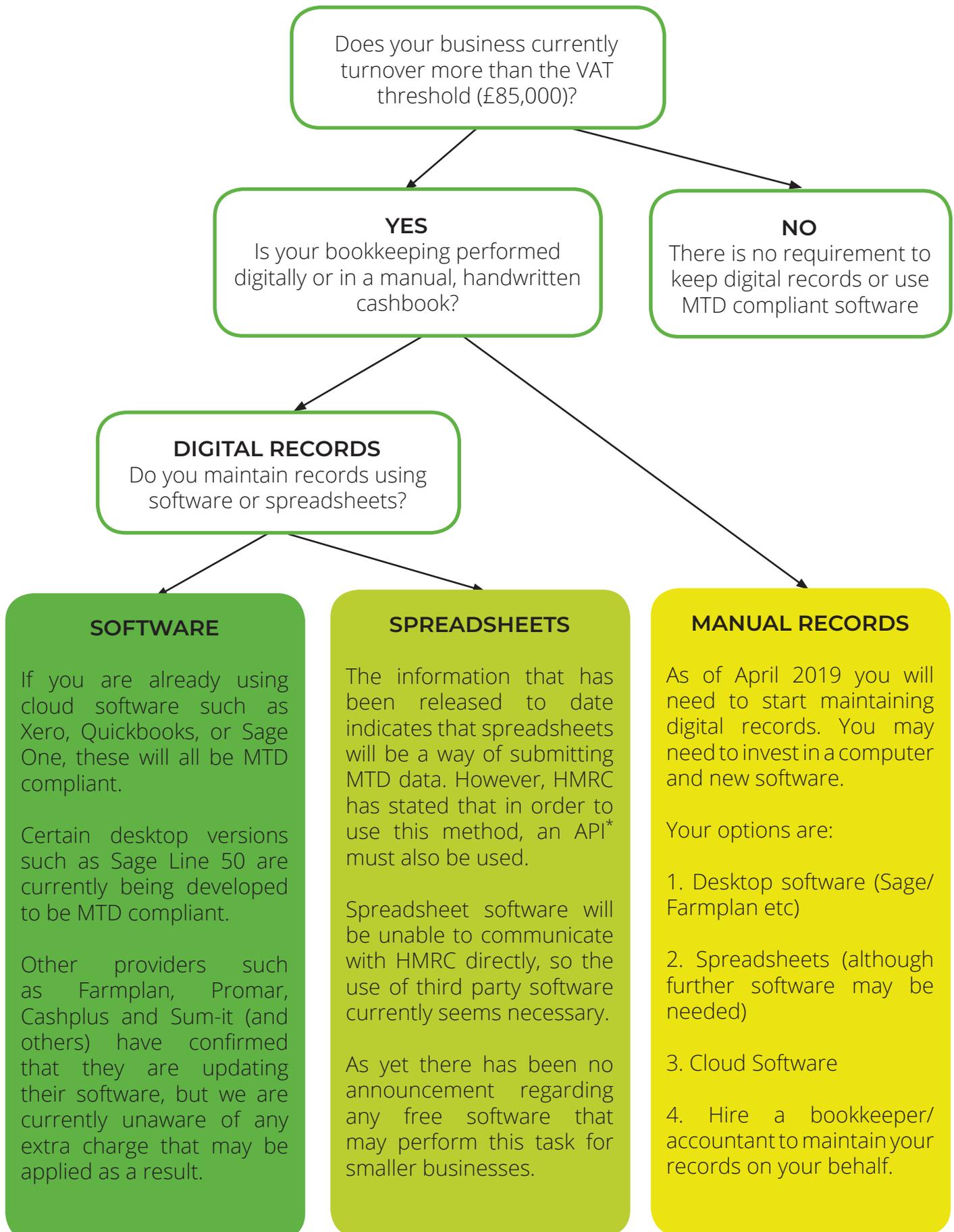
Cloud Software

Cloud software is the name for web based accounting software which is starting to rise in popularity due to some of the extra functionality that the software can provide, and its integration to tablets and smart phones

As well as keeping your records up to date and being readily compatible with Making Tax Digital, cloud based software can integrate with a variety of third party applications. They can pull transactions straight from a bank account and even allocate them to accounts for you. They can hold digital copies of receipts, or use other applications to manage employees timesheets, help with debt collection, invoice from your smart phone, and much more...

The ability to access accounting records on the go from your smartphone means that you are always up to date with your business. Enhanced reporting functions allow you or your accountant to provide you with key information on which to make important business decisions so you can keep ahead of the curve

MTD Flowchart



*API - Application Programming Interface - the method by which a spreadsheet would need to be sent to HMRC's servers