

# **Making Tax Digital**

**Chartered Certified Accountants** 

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:

## Records

# Quarterly Returns

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Maintain VAT records digitally for a period of 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**

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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...





# MTD Flowchart

Does your business currently turnover more than the VAT threshold (£85,000)? **YES** NO Is your bookkeeping performed There is no requirement to digitally or in a manual, handwritten keep digital records or use cashbook? MTD compliant software **DIGITAL RECORDS** Do you maintain records using software or spreadsheets? MANUAL RECORDS **SPREADSHEETS SOFTWARE** 

If you are already using cloud software such as Xero, Quickbooks, or Sage One, these will all be MTD compliant.

Certain desktop versions such as Sage Line 50 are currently being developed to be MTD compliant.

providers Other such Farmplan, Promar, as Cashplus and Sum-it (and others) have confirmed that they are updating their software, but we are currently unaware of any extra charge that may be applied as a result.

The information that has been released to date indicates that spreadsheets will be a way of submitting MTD data. However, HMRC has stated that in order to use this method, an API\* must also be used.

Spreadsheet software will be unable to communicate with HMRC directly, so the use of third party software currently seems necessary.

As yet there has been no announcement regarding any free software that may perform this task for smaller businesses.

As of April 2019 you will need to start maintaining digital records. You may need to invest in a computer and new software.

Your options are:

- 1. Desktop software (Sage/ Farmplan etc)
- 2. Spreadsheets (although further software may be needed)
- 3. Cloud Software
- 4. Hire a bookkeeper/ accountant to maintain your records on your behalf.