

# Making Tax Digital

**From April 2019, most businesses and landlords, whose turnover exceeds £85,000, will be required to keep digital records and make quarterly submissions to HMRC, using compliant software, for VAT purposes only.**

We want to see the businesses we work alongside continue to thrive following the move to MTD and we are already helping many of our clients to look at it as an opportunity, not something to oppose.

Here we take you through the story so far...

## What is Making Tax Digital?

Making Tax Digital (MTD) is a key part of the Government's plans to construct a modern tax system that is more efficient, more effective and more user-friendly.

## A brief history

### The consultations

The consultations on Making Tax Digital were issued in August 2016 and HMRC responded to these in January 2017. The key points addressed in the first wave of consultations were as follows:

- HMRC will begin moving businesses to Making Tax Digital from 2018.
- Businesses will have to report to HMRC on a quarterly basis but will not have to pay tax on a quarterly basis.
- HMRC is consulting on the introduction of voluntary pay-as-you-go tax payment.
- HMRC will not provide any software itself but hoped that free packages would be made available.
- Businesses with an annual income of £10,000 per annum, or less, will be exempt from the changes.

### Spring Budget 2017

At Spring Budget 2017 the Government announced that, for unincorporated businesses and landlords with turnover below the VAT threshold, it would defer the mandating of Making Tax Digital for Business (MTDfB) for one year, pushing it back to 2019.

As a result, around 3.1 million of the smallest businesses were pleased to learn that they would have more time to prepare for the switch to digital record-keeping and making quarterly updates to HMRC.

As per the Spring Budget, those businesses, self-employed individuals and landlords with turnover in excess of the VAT threshold, with profits chargeable to Income Tax and that pay Class 4 National Insurance contributions, would have been expected to start using the new digital facilities from April 2018.

### Where are we now

Following the snap general election which took place on 8 June 2017, as well as harsh criticism relating to the proposed timeline and scope of the regime, the Government confirmed a new timetable for the Making Tax Digital regime.

Under the new timetable, the following conditions apply:

- From April 2019, only businesses with turnover above the VAT threshold (currently £85,000) will be required to keep digital records and only for VAT purposes;
- businesses will not be required to keep digital records, or to update HMRC quarterly, for other taxes until at least 2020.

For the smallest businesses, who aren't VAT registered, Making Tax Digital will be available on a voluntary basis. This means that they can choose when they wish to adopt the new practices.

It's worth noting that, since VAT already requires quarterly returns, no business will need to report to HMRC more regularly than they do now. In addition, with the requirement to keep digital records and update HMRC quarterly for other taxes delayed until 2020 at the earliest, businesses and landlords will have time to become accustomed to the changes.

## Ongoing pilots and the reprioritisation of HMRC's projects

Recently, it was revealed that a number of HMRC's current projects would be put on hold, or else subject to significant delays, as a result of Brexit preparations.

In respect of MTD, it has since come to light that it is the MTD for individuals' initiatives that will, for now, be postponed.

On the whole, MTD is still the 'big show in town' and the core services are still expected to be delivered as promised, but the time of delivery is likely to be pushed back.

The implementation of the regime is still a top priority for HMRC and testament to this is the fact that MTD pilots for both Income Tax and VAT are ongoing.

Live piloting of MTD for VAT is now also underway, with HMRC initially inviting VAT registered entities with the most straightforward affairs to sign up. More complex businesses are unlikely to join the pilot until October 2018, and public bodies not until November/December 2018.

## How can George Hay help?

No one can deny that there is still a very long way to go with MTD, but businesses should not get complacent when it comes to preparations. MTD will fundamentally change the administration of the UK tax system and signifies a huge change to the way many businesses currently operate.

Here at George Hay, we keep up to date with all the latest changes to tax and accounts legislation – including announcements relating to Making Tax Digital. Our aim is to assist our clients with choosing and implementing a system to best suit their business and to offer professional support and advice throughout the transition and beyond.

We support a number of online accounting and bookkeeping software packages, including Sage™, KashFlow™ and Xero™. When it comes time to make the transition, our team of expert advisers will be on hand to provide you with as much or as little assistance as you require; from introducing you to your chosen platform, getting you set up and providing training, to assisting you with incorporating the software into your usual accounts routine.

Visit our website to find out more about our online accounting services or to speak to one of our experts about Making Tax Digital and what it means for your business, contact us today.

## Spreadsheets and software

As part of its Making Tax Digital policy, HM Revenue and Customs (HMRC) has said most businesses will be required to use MTD compatible software and apps to keep their records and to update HMRC via their digital tax account, on a quarterly basis, by 2020.

In its response to the consultations launched in 2016, HMRC also confirmed that businesses will be able to continue to use spreadsheets for record keeping. However, they must ensure that these meet the necessary requirements of Making Tax Digital for Business - this is likely to involve combining the spreadsheet with compatible software that is capable of connecting to HMRC systems via an Application Programming Interface (API).

To assist businesses with the transition to MTD, HMRC are keen to ensure that MTD compatible software products are available to suit the budgets and needs of all businesses.

At time of writing, there are only a small number of packages supporting MTD for Income Tax; unsurprising considering mandation was postponed for all except VAT registered businesses with a turnover above £85,000.

Consequently, software providers shifted their focus to ensure that products will be able to file MTD-compliant VAT returns. A list of software suppliers who will be providing MTD for VAT compliant software is available on HMRC's website.



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