



# Making Tax Digital – a Reminder



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It may seem to have gone quiet on the MTD - Making Tax Digital – front, HM Revenue & Customs bowed to pressure from various quarters to rein in their programme on the grounds that it was over-ambitious and the timescale was too short. However, the drive to overhaul the UK's taxation system is back on track again.

HMRC wants the UK to be one of the most digitally advanced tax administrations in the world, improving efficiency, effectiveness and ease of compliance. Their plans signal the end of paper accounting for millions across Britain making it easier for businesses to stay on top of their day-to-day accounts.

From April 2019, businesses with turnovers exceeding the VAT threshold will have to set up a digital tax account and file quarterly returns on-line via record keeping software as near to real time as possible using devices like computers, tablets even smartphones.

Preparation starts now, with businesses and accountants moving online to improve efficiency, boost profitability and make the transition painless.

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## What Data should be recorded?



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MTD requires people registered for VAT to keep and maintain detailed information in an electronic form and to prepare their VAT returns using functional, compatible software, for example Xero, QuickBooks and Sage. This is a program that must:

- Keep digital records
- Provide HMRC information and returns using the API's
- Receive information from HMRC.

The software will calculate the VAT return from digital records. The figures must then be confirmed as correct for submission to HM Revenue & Customs.

Data that must be recorded digitally consists of the following criteria:

### Basic

- Name of the taxable person
- Address of principal place of business
- VAT registration number
- VAT accounting schemes used

### Supplies made

- Time of supply
- Value of the supply
- Rate of VAT charged
- Total VAT, exclusive value of all outputs for the period split between standard-rated, reduced-rated, zero-rated, exempt and outside the scope of VAT.

### Supplies received

- Time of supply
- Value of the supply including any VAT that is not claimable
- Amount of input tax claimed
- If more than one supply is on an invoice, record the totals.

### VAT payable

- Total output owed on sales.
- Total output tax owed on acquisitions from other EU member states.
- Tax payable under a reverse charge procedure.
- Tax due following a correction or adjustment.
- Any other necessary adjustment required by VAT rules.

### VAT allowable

- Total input tax to claim on purchases.
- Total input tax allowable on acquisitions from other EU member states.
- Tax claim following a correction or error adjustment.
- Any other necessary adjustment.

## The Benefits of MTD



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Do not be misled into thinking that MTD is only an extra cost to business. The use of cloud-based accountancy software will not only allow you to comply with MTD legislation but will also give opportunity to streamline your current bookkeeping routines, giving you access to new tools to improve your day-to-day knowledge of your business.

It will provide you with management information, anytime, anywhere, through which you can run your business more effectively. Whether you look to do this in house or to outsource this work, we can help you implement the correct software and procedures.

## What Software for MTD?



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As the Making Tax Digital programme ramps up by this time next year, all VAT Registered businesses will be required to maintain digital records of their financial information and submit them quarterly to HM Revenue & Customs.

HMRC has agreed that spreadsheets can be used as a means of keeping digital records, as long as they meet certain

technical requirements. It's likely that a combination of 'bridging' software is the solution. HMRC will ensure that basic apps and software products are available for businesses that have the most 'straightforward affairs'.

In order to be ready for MTD, we are recommending that our clients use cloud accounting software for maintaining their business records digitally. Companies like Xero, QuickBooks and Sage are leading the way in offering fully MTD compliant software. We can help through the decision-making process as you choose which software is best suited to you and your business.



Cloud accounting brings a multitude of benefits to your business including; a clear real-time overview of your business's financial position; access to your financial data anytime and anywhere; bank grade data security and a variety of other advantages. Cloud accounting packages are computer based software products used through the internet, ready to help realise the full potential of your business.

MTD is on the horizon and there is no better time than the present to be proactive in making your business ready for April 2019.

## MTD Non-Compliance Sanctions



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HMRC has made it very clear that failure to comply with the MTD deadlines for submissions and payments will be met by a penalty point regime not unlike that currently applied in the 'totting up' process for driving offences.

Each late submission will be issued with a single penalty point. Once four points have been accrued, then a penalty will be applied.

Taxpayers can have their points record wiped by making future submissions on time - four successive 'on time' submissions will wipe the points record clean.

An Appeals Process for both penalties and points will consider a claim for 'reasonable excuse' if a deadline is missed due to factors outside the control of the person registered for VAT.

There's also an initial 'soft landing' period

for MTD shortcomings. Penalties and points will not be applied in the first 12 months, so this element of the new regime is expected to be implemented from April 2020.

Discussions are continuing around the level of penalties for late submissions although a recent HM Revenue & Customs consultation proposed the following for late payment of tax:

- 5% penalty for payment made over 30 days late
- No penalty applied if paid within 15 days of due date
- 5% penalty halved if paid between 15 and 30 days late

## MTD – Timeline 2017 - 2020

### 2017

#### January-June 2017

Taxpayers able to report additional sources of income through their digital tax account.

#### July-December 2017

Digital tax accounts show taxpayers an overview of their tax liabilities in one place.

Automatic tax code adjustments prevent PAYE under and overpayments.

### 2018

#### February 2018

Technical consultation on the regulations closed

#### End March 2018

Regulations made

#### April 2018

VAT pilot – Live testing of MTD begins

### 2019

#### 2019

Businesses, self-employed and landlords to keep electronic accounting records for VAT purposes.

#### From April 2019

The first VAT returns to be filed using MTD ready software. Businesses trading above the VAT threshold are mandated to use MTD.

### 2020

#### 2020

The full range of HMRC services to be available through digital tax accounts

#### April 2020

MTD expected to start for other taxes, including income tax and corporation tax.

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## Making Tax Digital – Are You Ready?

It's time to decide how you will digitalise your records in order to meet HMRC requirements ahead of April 2019.

We are holding a series of FREE Seminars throughout April and May to provide an overview of Making Tax Digital and explain more about cloud accounting, the importance of cyber security as well as how to prepare your business for MTD.

To book your FREE place please contact Victoria Scott by telephone on **01284 752313** or email at **victoriascott@whitingandpartners.co.uk**.