

Making Tax Digital – For Businesses

What is it?

MTD 'Making Tax Digital' is HMRC's initiative to keep records digitally. The aims of MTD are:

- To make it easier for individuals and businesses to manage their tax affairs.
- To give online access to a personalised digital account to customers.
- To transform the tax system through the better use of information.

When will it apply to my business?

VAT is the first tax where MTD will apply. It will be compulsory for all businesses with turnover over the VAT threshold (currently £85,000) from the 1st April 2019.

For all other businesses and taxes, the earliest date will be 1st April 2020, this will be confirmed once the legislation is released.

What are the MTD requirements?

Businesses will be required to keep their financial records digitally and eventually submit quarterly updates to HMRC.

From 1st April 2019 VAT returns must be submitted straight from 'functionally compatible software' rather than electronically via HMRC online (currently only 10% of VAT returns are filed in this way).

What do I need to do?

For businesses that are not VAT registered or VAT registered but below the VAT limit be aware that MTD is coming, and once further legislation is released we can work with you to create an MTD strategy.

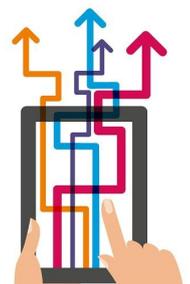
For businesses which are VAT registered with turnover above the VAT threshold, there is a flowchart on the next page for steps that need to be taken. Whilst April 2019 is over 17 months away other considerations need to be made such as the timing of transition onto 'functionally compatible software'.

Whilst initially this may seem like HMRC are putting more compliance onto the business, clients that have moved onto Xero (which is the software we are recommending) have found that it does make maintaining accounting records and preparing VAT returns a lot easier.

A lot of clients are already MTD compliant, but part of our work over the next six months is to ensure all clients that will fall under MTD for VAT have a strategy in place to ensure they are compliant by April 2019 .



MAKING TAX DIGITAL



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