

Making Tax Digital (MTD)

Making Tax Digital (MTD) is the most fundamental change to the administration of the tax system for at least 20 years.

The essential elements for businesses and landlords are:

- Paper records will no longer be sufficient: It will become mandatory for almost all businesses and landlords (self-employed, partnerships and limited companies) to use software or a spreadsheet to keep accounting records. Paper accounting records will cease to meet the requirements of tax law.
- Quarterly reporting: There will be a requirement to submit updates to HMRC each quarter directly from accounting software, within one month of the end of each quarter.

As your accountants, we will support you through these changes and provide the ongoing services that you need. However, the changes are so fundamental that it will be necessary to review your current record keeping systems and to reconsider what work you decide to do yourself and which activities you wish to include in the service we provide.

When does it start?

VAT: As your business is registered for VAT and your turnover is above the VAT threshold you will be required to keep digital accounting records and to file your VAT returns using MTD compliant software from April 2019 (the first VAT quarter starting on or after 1 April 2019). The current online VAT return will not meet the requirements. Pilots of MTD for VAT started in April 2018.

Income Tax (self-employed, partnerships, trusts and landlords who complete self assessment tax returns): MTD is expected to become mandatory for income tax reporting, but not before 2020. Pilots of MTD for income tax started on a small scale in April 2017 and will be rolled out to all businesses who wish to participate in the coming months.

Corporation Tax (limited companies): The timings for MTD for corporation tax have yet to be confirmed but it will not become mandatory before April 2020.

What are the exemptions?

- There are exemptions for those who are not able to engage digitally for religious reasons or due to a factor such as age, disability or location (e.g. no availability of broadband). These exemptions are the same as the current exemptions for VAT online filing.
- VAT-registered businesses with turnover of less than the VAT threshold (i.e. businesses who have registered voluntarily) will initially be exempt from MTD VAT reporting but this exemption may be removed from 2020 or later.

- When MTD for income tax becomes mandatory there will be an exemption for businesses and landlords with a very small turnover; the level of this exemption has not been set.

What do I need to do now?

We need to discuss your transition to MTD with you so that you are ready for MTD reporting for VAT by Spring 2019.

- We may need to consider the possibility of a digital exclusion exemption.
- If you currently use accounting software it will need to be upgraded. If you are considering acquiring software or joining the pilot, please discuss this with us first.
- If you currently maintain records on a spreadsheet you will need to acquire software which will allow returns and updates to be made directly from the spreadsheets, or engage us to do this work.
- If you currently maintain records on paper your processes will need to change. You will need to provide records to us promptly after each quarter-end and engage us to do the bookkeeping and quarterly reporting or acquire and use appropriate software.



For further information

Contact your usual RfM advisor to discuss how Making Tax Digital will affect you.

You will find contact details for all our offices on our website www.rfm-more.co.uk

For general information about Making Tax Digital visit www.gov.uk