

**CASA Accountancy & Bookkeeping Ltd**

## **Guide to Making Tax Digital**



## What is Making Tax Digital?

The way in which we file our tax and VAT returns is changing.

Who's first though....VAT is coming first.

If you are over the VAT current threshold of 85k then you are in Phase 1 of MTD (Making Tax Digital) and Phase 1 comes into play in April 2019

So whether you are a sole trader, a Ltd company or even a landlord if your turnover is over 85k and you are VAT registered, you must be MTD compliant by April 2019.

However if you are a small business, currently under the threshold for VAT but would like to be extra prepared you can sign up for MTD early. You will be able to do so voluntarily from April 2019.

To be ready for MTD you must have MTD Compliant Software or an App. This will be used to keep a digital record of all your VAT transactions. This is imperative, you can't be MTD compliant without compliant software.

The MTD compliant software or app will be used to submit all your VAT returns from April 2019, no longer will you prepare your VAT on paper/excel/or even on software but then log into the portal to submit.



If you currently log onto HMRC Online Services through the HMRC website to submit your VAT return from April 2019 this will no longer be possible. All VAT returns will need to be submitted directly from your MTD compliant software.

However HMRC has announced that they will be providing help to those who are unable to take their tax digital. If you are unable to use the digital tools there will be alternatives offered, however you will need to speak to HMRC for more information.

Switching to MTD may sound daunting however, according to recent figures many small businesses and sole traders are already submitting their data using a digital tax system.

Returns currently submitted online <sup>1</sup>



With these figures in mind it appears that many businesses are ready for the new wave of submitting their accounts.

MTD is an HMRC initiative which has been designed to make sure the UK tax system is efficient, effective and ultimately easier for taxpayers. VAT is only Phase 1, other elements of Making Tax Digital such as VAT voluntary registered businesses under the 85k threshold, Self-employed Income and Corporation tax are currently scheduled for April 2020 although we don't have a specific schedule for these returns yet, be assured though that within the next couple of years all submissions will soon be under the new MTD heading.

## So how do you prepare for MTD?

Although we believe there will be a portal for Excel spreadsheets to still be used we don't have specific data from HMRC available to ensure that this will be allowed and accessible therefore it's strongly advised to look for a suitable MTD compliant software.

There are many out there on HMRC's approved list which can be found here -

<https://www.gov.uk/guidance/software-for-sending-income-tax-updates#VAT>

Popular software includes, Sage, FreeAgent, Xero, QuickBooks online, KashFlow plus of course as you can see from the list there are many more.

## When to submit your first MTD submission?

There is a staggered entry list as it is for all returns that your quarter start date is from 1<sup>st</sup> April 2019:

VAT Quarter Dates	First MTD VAT Return	Submitted By
Mar/June/Sept/Dec	Quarter ended 30th June 2019	7th August 2019
Apr/Jun/Oct/Jan	Quarter ended 31st July 2019	7th September 2019
May/Aug/Nov/Feb	Quarter ended 31st August 2019	7th October 2019

## What is HMRC providing to support you as a small business?

HMRC aren't currently offering software to help businesses keep digital records, however they are delivering two important pieces of technology that will make MTD work.

The first is an application programming interface where software developers can integrate with HMRC to assist you in sending your VAT return and ensuring it's received in the correct format.

The second important HMRC technology is the new Government Gateway. You will need to register on the new Gateway where you'll find your new online tax account with full details of your personal or business taxes available here too.



HMRC believe that submitting their accounts digitally will result in a lot less errors and the aim is to actively reduce the margin for error in calculating the tax owed. MTD will save you time rather than logging into the gateway, typing the figures into the 9 boxes, then submitting the data, potential for transposing numbers is high and it's very time consuming correcting any errors. HMRC have announced that currently 8 billion pounds a year are lost to 'avoidable tax errors' MTD is believed to significantly reduce the figure.

Along with fewer mistakes, the switch to MTD will also mean you'll be able to access your information with ease. At CASA Accountancy & Bookkeeping we actively encourage cloud based software not just for MTD ease but also for your own peace of mind. It's your business, your accounts, your future and you should in our eyes, have constant access to this data and know what we as your Accountant, is doing for you.

For more information on MTD or anything else relating to your finances and business for that matter, please do not hesitate to contact CASA Accountancy & Bookkeeping Ltd, where we will be happy to help.

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