



MAKING TAX DIGITAL

What action do you need to take before 1 April 2019?

FIRSTLY

THANK YOU

FOR CONSIDERING ABG!

Making Tax Digital has been on our radar as accountants for a number of years. Back in August 2016, HMRC issued six consultation documents on making tax digital (MTD). The consultation period ended 6 November 2016 and on 13 July 2017 the Government announced that MTD will commence in April 2019 for VAT purposes. This will apply to businesses, landlords and self-employed professionals with turnovers above the VAT threshold (currently £85,000).

This means that businesses and landlords with a turnover below the VAT threshold will be able to choose when to move to the new digital system, but those that fall into the categories set out above are not so lucky!

We hope you find this publication helpful. If you have any questions please speak to your usual ABG contact or alternatively call our front of house team on 020 7330 0000 who will be happy to help.

John Donohoe

Partner

MAKING TAX DIGITAL

THE BACKGROUND

Making Tax digital is a Government initiative with the stated aim of “bringing the tax system into the 21st century”. The Government believes this initiative will make it easier for individuals and businesses to get their tax right and keep on top of their affairs.

HMRC’s ambition is to become one of the most digitally advanced tax administrations in the world, modernising the tax system to make it more effective, efficient and easier for customers to comply. The new regime will move taxpayers to a fully digital system, with businesses and individuals required to register, file, pay and update their information using a secure online tax account.

These changes apply to a wide range of taxpayers, including most businesses, self-employed professionals and landlords. This “new and improved” tax system will require the majority of business owners to maintain digital records using compatible software.

ARE YOU READY?

You must start keeping your business records digitally before you can sign up for MTD. If you already use software to keep your business records, check with your software provider, not all software is MTD compliant.

If you are not yet using accounting software then you will not be MTD compliant so you do need to look at the options available to you.



We think CREATIVELY

Our MTD team will work with you to consider all of your options and make recommendations based on their findings.



We stand for SIMPLICITY

Every member of ABG's MTD team talks in simple, plain English. We will not use complicated terminology or talk in abbreviations, we want you to understand what is required of you at every stage.



We do amazing PROJECTS

If you need our team to visit your office and carry out a review of your current accounting function, we can do that. Our MTD experts will take a broad view of your current accounting function and only make recommendations that they believe will fully meet your requirements.



And we do it ON TIME

The April 2019 deadline is fast approaching but time flies when you are having fun. If you would like to speak to a member of our MTD team, please contact us today on 020 7330 0000.

WHAT IS MTD COMPATIBLE SOFTWARE?

Compatible software is a software product or set of software products, that between them support the MTD obligations of keeping digital records and exchanging data digitally with HMRC through the MTD service. If more than one application is being used then data that flows between those applications must also be exchanged digitally.

Digital records can be kept in a range of compatible formats. They do not all have to be held in the same place or in one piece of software. For example a spreadsheet can be a component providing the product used consolidates records or summary records from the spreadsheet are digital.

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 spreadsheets to keep accounting records. Paper records will cease to meet the necessary requirements.

More than 150 software suppliers have told HMRC that they are interested in providing software for Making Tax Digital for VAT. With the latest additions to HMRC's list of approved suppliers there is now an ever growing list of providers to choose from (see below). HMRC has confirmed that providers are aiming to have their software ready to use during the first phase of the pilot. The pilot will be opened up to allow more businesses and agents to join later this year.

The following software suppliers have both tested their products in HMRC's test environment and have demonstrated a prototype of their software application or bridging functionality to HMRC.

aaaDataX	Exel Computer Systems PLC	Rialtas Business Solutions
AbraTax	EY LLP	Road Tech Comp Systems Ltd
Absolute Accounting Software Ltd	Farmplan	Ryan
Accentra Primo Umbrella	FinanSys Solutions Ltd	Sage (UK) Ltd
Accounting Office Software Ltd	Forbes Computer Systems	SAP
AccountsPortal	FreeAgent	SDA Logic
Advanced Computer Software	GoSimple Software	Simplifi-HQ Ltd
Anagram Systems	Grant Thornton UK LLP	Tax Automation Ltd
Arkk Solutions	Hartigan Software	TaxCalc
Avalara	Integrity Software	Tax Optimiser
Bridge Squared	Intuit – QuickBooks	Taxate
BTCSoftware	IRIS	Tax Systems plc
Bx	KAI Consulting	Thomson Reuters – ONESOURCE
Capium Limited	KPMG LLP (UK)	Thomson Reuters – Onvio
Cirrostratus - Exedra	Landmark Systems Ltd	Tyresoft Ltd
Clear Books plc	Liquid Accounts	Vertex Global Tax Solutions
COINS	MAM Software Ltd	Vital Code Ltd
Croft Computer Systems	Motor Trade Technologies Ltd	VT Software
DC Software	My Digital Accounts	Wolters Kluwer (CCH)
Deloitte LLP	Neilson James Technology	Xero
DTracks Limited	PwC	Zoho Books
eFileReady	Quickfile Accounting	
Essentia Global Services		

WHAT RECORDS DO I NEED TO KEEP DIGITALLY FOR MTD?

VAT

MTD does not require you to keep additional records for VAT, but to record them digitally.

Your digital records should include, for each supply, the value of the supply (net excluding VAT) and the rate of VAT charged.

They should also include information about the business, including business name and principle business address as well as your VAT Registration Number and details of any VAT accounting schemes you use.

Customers who currently record daily totals can continue to do so, but they have to be captured digitally.

If you use spreadsheets to keep business records you will need MTD compatible software so that you can send HMRC your quarterly VAT returns and receive information back from HMRC. Bridging software may be required to make spreadsheets MTD compatible.

INCOME TAX

You will have to use software to capture details of all your business income and expenditure for the entirety of your accounting period.

Your business records will include details from invoices and receipts for purchases and as a minimum should include the date, the amount and the category.

Many businesses already use record keeping software and it is important to check when this software will be MTD compatible or find out whether it integrates with other software that can make quarterly submissions. If you are unsure about how to enter information into your software, you should speak to the software provider.

If you use spreadsheets to keep business records you will need MTD compatible software so that you can send HMRC your quarterly updates.

WHO IS EXEMPT FROM MTD?



RELIGIOUS SOCIETIES

If the business is run entirely by practicing members of a religious society whose beliefs are incompatible with the requirements of MTD for VAT. This could be where their beliefs prevent them from using computers.



PRACTICALITY

An exemption may apply where it's not reasonably practical to use digital tools to keep business records or to submit returns for reasons of age, disability, remoteness of location or for any other reason.



INSOLVENCY

If an insolvency procedure is in place, an exemption from MTD for VAT may be granted.

WHEN DOES MTD START?



Businesses with turnover below the VAT threshold who have registered voluntarily for VAT will not be required to comply with MTD requirements but can do so voluntarily. These businesses will be able to continue to use HMRC's online portal.

The VAT notice published on 13 June 2018 confirms that the full MTD service won't be available from HMRC when MTD for VAT goes live in April 2019. Businesses won't be able to submit voluntary updates or supplementary data to support their VAT return. HMRC says these features will be available at a later date.

The deadlines for sending VAT returns and making payments are not changing, including for monthly, quarterly and annual VAT return schemes, but businesses will have to keep digital

VAT REGISTERED BUSINESS WITH TURNOVER ABOVE THE VAT THRESHOLD

If you fall into this category then it will be mandatory from 1 April 2019 for you to maintain digital VAT records using MTD compatible software.

The current online VAT return will not be an option for such businesses after this date.

records and send the returns to HMRC using MTD-compatible software for VAT accounting periods that start on or after 1 April 2019. This also applies to businesses that operate the Flat Rate Scheme for VAT.

BUSINESSES AND LANDLORDS WITH TURNOVERS BELOW THE VAT THRESHOLD

The delay to the implementation of MTD allows smaller businesses more time to move to the new system but change cannot be avoided altogether. There are many advantages to be gained from using a digital accounting system and the new timetable for MTD allows the focus to be on the commercial benefits. Those who adopt digital record keeping will find the transition to MTD much easier when it does become a requirement.

However you currently keep your accounting records, we will be pleased to discuss your options with you and how you could benefit from better record keeping and financial information.

MTD AND OTHER TAXES

The government has given an undertaking that MTD (electronic record keeping and quarterly reporting) will not be made mandatory for other taxes until the system is working well and not until April 2020 at the earliest.

Once the timetables for the implementation for the new MTD for Individuals and Corporation Tax have been finalised and become mandatory we will issue another Factsheet

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HOW CAN ABG HELP?

MTD will place a significant compliance burden on businesses and support may be required. We, as your accountants and advisers, are carefully monitoring the progress of MTD to ensure that we can work with our clients and assist with their MTD compliance.

To prepare you for the new system ahead of the start date of 1 April 2019, our team are able to assist you and advise on any transitional issues that your businesses may encounter. In addition, we can assist in the preparation of quarterly and end of year activity reports and with any other ongoing compliance obligations from a tax perspective.

We will support you through these changes and provide you with the ongoing services that you need.

For some businesses the changes are so fundamental that it may be necessary to review your current record keeping systems and procedures and reconsider the work that you currently undertake yourself and review which the activities that you wish to include within the services we currently provide.

NON-VAT REGISTERED BUSINESSES OR VOLUNTARY VAT REGISTERED BUSINESSES

We will need to discuss with you in depth your transition to MTD. There is at present no firm date for when you will be required to comply but there are distinct business advantages to be had from considering digitalisation now. Any action you take now will result in a much smoother MTD transition in the future.

When we review your transition to digitalisation:

- We will consider the possibility of a digital exclusion exemption.
- We will review your current accounting software and consider whether it will need to be upgraded. If you are considering acquiring new software or joining the pilot, please discuss this with us first.
- We will review the records you currently maintain via spreadsheets as you will need to acquire software which will allow returns and updates to be made directly from the spreadsheets. Ultimately you may decide that would be more cost effective to engage ABG to do this work for you.
- 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.

If you are not currently VAT registered, MTD for VAT will be relevant to you only if you become VAT registered.

If your business is currently registered for VAT voluntarily and your turnover is below the VAT threshold, you will not be required to keep digital accounting records or to file your VAT returns using MTD compliant software until 2020 or later. The current online VAT return will not meet the requirements of MTD but will continue to be available until at least Spring 2020.

MTD for Income Tax (self-employed, partnerships, trusts and landlords who compete self-assessment tax returns) is expected to become mandatory for income tax reporting. This is not expected to be 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.

If you are corporate business, the timings for MTD for corporation tax have yet to be confirmed but it will not become mandatory before April 2020.



MAKING TAX DIGITAL WHAT DO YOU NEED TO DO NOW?

PHASE 1 FOR VAT REGISTERED BUSINESS WITH TURNOVER ABOVE VAT THRESHOLD OF £85,000

Please contact us today to discuss your transition to MTD . We must ensure that you are ready for MTD reporting for VAT before the deadline of 1 April 2019.

In the majority of cases we will also need to discuss the impact of MTD on other taxes and any planned future digitalisation.

We also need to consider the following:

- Whether you are eligible to apply for a digital exemption.
- Whether you need to upgrade any existing accounting software to ensure your MTD compliance.
- If you are currently maintaining manual or spreadsheet based accounting records we need to review your various software options.

Please be assured that ABG's MTD team is here to help you every step of the way.

Our team are waiting to discuss your MTD options, whichever route you decide to take! We are able to offer Cloud based accounting software subscriptions at preferential rates and we are also happy to look at any available outsourcing options and consider the cost v business benefit of engaging such services.

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