

MAKING TAX DIGITAL

Thursday 28th February 2019

The Showroom, Lincoln



@streetsacc



streets-chartered-accountants

Contents

- What is Making Tax Digital?
- When does it start?
- Who does it affect?
- What's actually changing?
- What do you need to do to prepare?
- What are my options?
- How and when to sign up.

"It has never been more important for businesses to be able to seize the opportunities that digital technology offers. Making tax digital helps them to do just that."

Mel Stride MP - Financial Secretary to the Treasury

What is MTD?

- Part of wider digital strategy
- To bring corporation tax, income tax and VAT in line with PAYE.
 - Payroll information is already submitted digitally (RTI).
- Modernise the interaction with HMRC.
- To reduce the tax gap by
 - improving record keeping and
 - reducing errors by minimising re-entry of data

When?

- Originally planned to go live in April 2018 with Income Tax, but this was delayed.
- MTD for VAT
 - Mandation starts in April 2019
 - VAT registered business with turnover above the VAT threshold (£85,000)
 - First VAT period starting after 1 April 2019.
- MTD for Income Tax & Corporation Tax (2020 at the earliest)

When?

VAT Period:	MTD mandatory digital records from:	First MTD submission due date:
1 April 2019 – 30 April 2019	1 April 2019	7 June 2019
1 April 2019 – 30 June 2019	1 April 2019	7 August 2019
1 May 2019 – 31 July 2019	1 May 2019	7 September 2019
1 June 2019 – 31 August 2019	1 June 2019	7 October 2019

MTD for VAT – Deferral

- Most mandated from first VAT period starting after 1 April 2019. Except those deferred.
 - 6 Month delay for those deferred:
 - trusts,
 - ‘not for profit’ organisations that are not set up as a company,
 - VAT divisions,
 - VAT groups,
 - those public sector entities required to provide additional information on their VAT return (such as government departments and NHS Trusts),
 - local authorities,
 - public corporations,
 - traders based overseas,
 - those required to make payments on account
 - annual accounting scheme users.

MTD for VAT - Timeline



Full information on the pilot eligibility criteria and small deferral group is available at: [gov.uk/government/publications/making-tax-digital](https://www.gov.uk/government/publications/making-tax-digital)

MTD for VAT – Who?

- Initially will apply to those VAT registered businesses, landlords (where opted to Tax) and trading charities with turnover over the VAT threshold (currently £85k).
- Those with turnover under £85k and voluntarily registered for VAT will be exempt from MTD for VAT - BUT expect this to change over time.
- Please note once you're in your in.
 - The regulations have been written such that once you have submitted a VAT return under MTD you can no longer go back to the old system.

MTD – Exemptions

- **Insolvency** – MTD is voluntary
- **Religious grounds** – for practicing members of a religious society whose religious beliefs prevent them from using computers, or
- **It is not reasonably practicable.**
 - Each case is considered on its own merits.
 - Reasons *might* include:
 - remoteness of location
 - disability
 - age
- To apply for exemption need to ring the VAT Helpline

MTD for VAT – What's Not Changing?

- 9 Box VAT return
 - Same information is being submitted

- VAT return frequency and payment deadlines
 - Monthly
 - Quarterly
 - Annual

- Eligibility for VAT Special schemes
 - Flat rate etc.

MTD for VAT – What's Changing?

- Keep records digitally
 - Functional compatible software
- Direct filing of VAT returns to HM Revenue & Customs
 - Return has to be submitted via software
 - No manual entry of figures on the HMRC website.
- From April 2019
 - Begins with first VAT period starting on or after 1 April 2019
 - Maybe part way through your accounts year!

Functional Compatible Software?

- A software program, or set of software programs, products or applications, that must be able to:
 - record and preserve digital records
 - provide to HMRC information and returns from data held in those digital records by using the API platform
 - receive information from HMRC via the API platform
- API?
 - Application Programme interface
- Spreadsheets?
 - These can still be used to maintain your digital records but will need to be linked to bridging software to perform the API submission.
- If a set of programs are used, there must be a digital link between the pieces of software.

What do I need to do to prepare?

What do I need to do to prepare?

- A big change for some businesses
- Very little change for others
- 3 aspects to consider...

3 Elements of MTD Preparation

- Digital Records
 - No more paper records
- Software
 - Which to use?
- Returns
 - How will you submit these going forwards?

Digital Records

- Required to keep their records digitally.
 - This means transaction data
 - You do not have to take digital copies of receipts
- Using either software or spreadsheets
 - Software does not have to be cloud based but can be
- The records can be kept either by the taxpayer or by their agent, but they must be kept digitally.
- Spreadsheets will need to be linked to bridging software for the submissions.
 - Several products now available to do this

Digital Records - VAT

- **Data that must be recorded digitally**
 - Designatory data:
 - business name
 - the address
 - VAT registration number
 - a record of VAT accounting schemes you use

 - For each supply you make you must record:
 - the time of supply
 - the value of the supply
 - the rate of VAT charged

Digital Records - VAT

- **Data that must be recorded digitally**
 - You must have a record of outputs split between:
 - standard rate, reduced rate zero rate and exempt & outside the scope
 - For each supply received record:
 - the time of supply
 - the value of the supply including any VAT that is not claimable
 - the amount of input tax that will claim be claimed
 - If more than one supply is on an invoice, record the totals from the invoice.
 - Retail scheme users – record of Daily Gross Takings only
 - **Adjustments:** Total for each type – but not calculations

Software

Do I need to upgrade?

Is it time for the cloud?

Software

- If not currently using then consider
 - Is this the time to start?
 - Is a spreadsheet suitable for by business?
 - Bookkeeper?
- Discuss with your current provider
 - Are they already or will they be MTD compliant?
 - Can bridging software help?
 - Time to upgrade or switch?

Which software is right for me?

- Using the best software for your business
- Being aware of what software developments have been made over the last 5 years
- Reviewing your needs
- Reviewing the way you work



sage



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QuickBooks[®]
Online

Finding compatible software



[Home](#) > [Money](#) > [Personal tax](#) > [Income Tax](#)

Guidance

Find software suppliers for sending VAT Returns and Income Tax updates

Check which software packages are compatible with Making Tax Digital.

Published 15 March 2018
Last updated 19 February 2019 — [see all updates](#)
From: [HM Revenue & Customs](#)

Contents

- [Software for VAT available now](#)
- [Software for Income Tax available now](#)
- [Software for VAT in development](#)

If you sign up to Making Tax Digital (or if you're an agent signing up clients) you'll need software that lets you either:

- [submit VAT Returns](#) and keep records of sales and purchases
- [send Income Tax updates](#) and keep records of income and expenses

You must have the correct software before you [sign clients up](#).

Related content

Detailed guidance

- [Help and support for Making Tax Digital](#)
- [Help and support for tax agents and advisers](#)
- [Use software to submit your VAT Returns](#)

Collection

- [Commercial software developers](#)
- [Making Tax Digital for VAT](#)

Finding compatible software

Software for VAT available now

This list includes bridging software, a digital tool that:

- connects software to HMRC systems
- allows you to digitally report VAT information to HMRC
- allows HMRC to send information to you digitally

You can:

- [check if the software you use is compatible](#)
- [watch a video about getting compatible software](#)

Software provider or product	Who can use this	Features
@gosimpletax	Agents and businesses	Digital record keeping Submit VAT Return View VAT Return View VAT Liabilities View VAT Payments
@Version 1 MTD	Agents and Businesses	Submit VAT Return (bridging software) View VAT Return
1 Click Accounts	Agents and businesses	Digital record keeping Submit VAT Return (bridging software) View VAT Return View VAT Liabilities View VAT Payments
10 Minute Accounts	Businesses	Digital record keeping Submit VAT Return

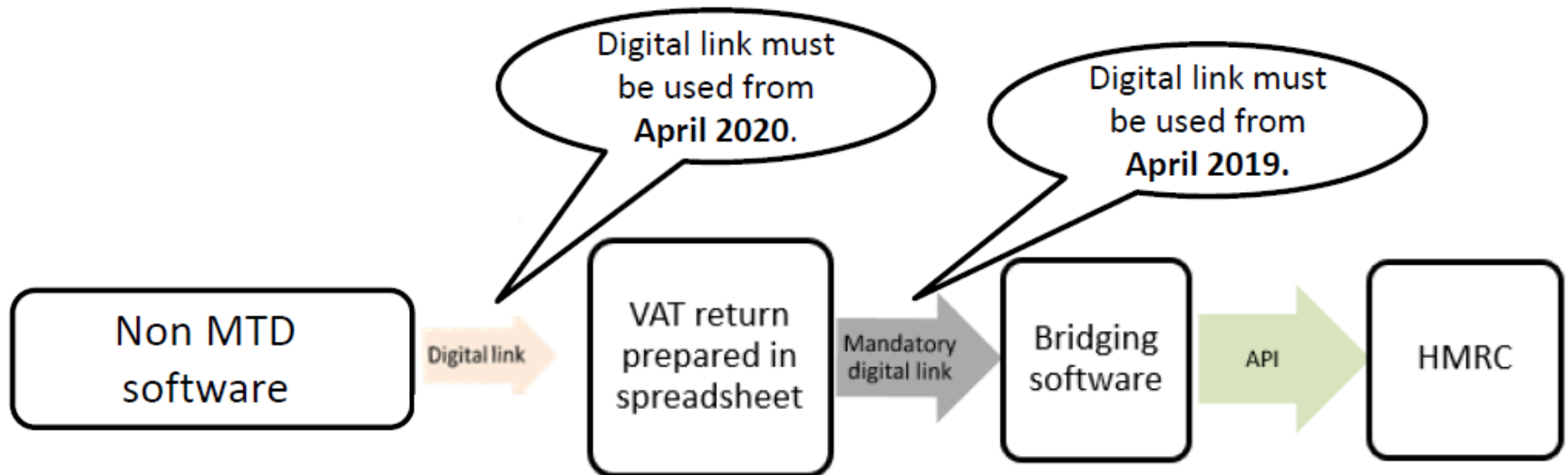
[↑ Contents](#)

Options for submitting returns

- Spreadsheet for digital records
 - Submission will need to be via Bridging software
 - Digital Link
- Records in Non MTD software
 - Prepare VAT return in Spreadsheet or other software
 - Digital Link from records to return from April 2020
- Records in MTD Software
 - Simplest solution
 - Adjustments can be made via journal entry

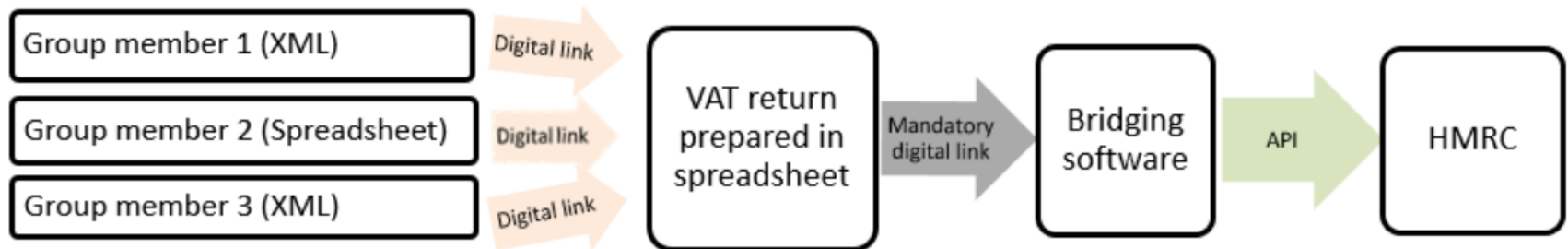
HMRC Examples

Using software, a spreadsheet and a bridging product



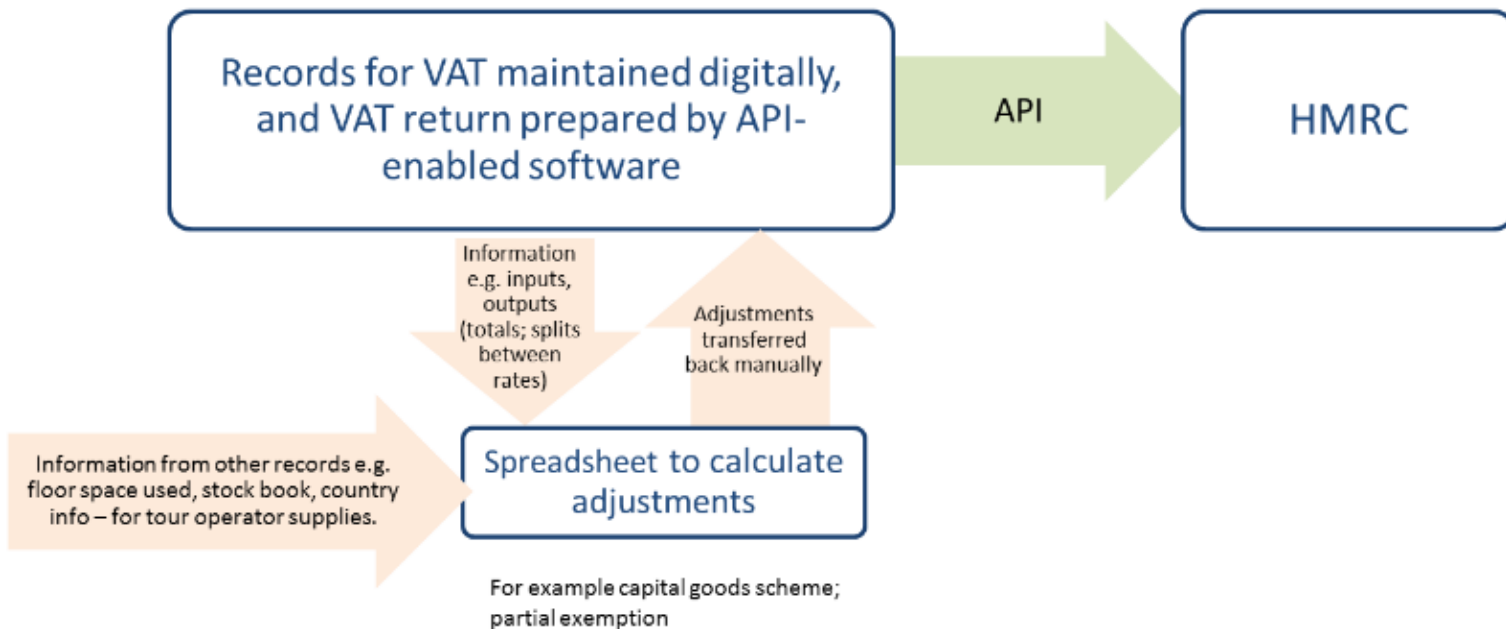
Example – VAT Group

VAT groups or different parts of the same business



Making adjustments

Adjustments, journeys and transfers outside of software



Sign up

- When you are ready you will need to actually sign up
 - Tells HM Revenue & Customs that you intend to start filing under MTD
 - HM Revenue & Customs are not automatically moving business across

The screenshot shows the GOV.UK website interface. At the top, there is a search bar and navigation links for Departments, Worldwide, How government works, Get involved, Publications, Consultations, Statistics, and Announcements. The breadcrumb trail reads: Home > Money > Dealing with HMRC. The main heading is 'Use software to submit your VAT Returns' under the 'Guidance' section. The text explains that businesses submitting VAT Returns as sole traders, limited companies, partnerships, or part of a VAT Group may be able to join the Making Tax Digital pilot. It includes publication and update dates, a 'Contents' list, and a 'Related content' section with links to detailed guidance and software suppliers. A collection link for 'Making Tax Digital for VAT' is also present.

GOV.UK

Search

Departments Worldwide How government works Get involved
Publications Consultations Statistics Announcements

Home > Money > Dealing with HMRC

Guidance

English | [Cymraeg](#)

Use software to submit your VAT Returns

If you submit VAT Returns as a sole trader, limited company, partnership, or part of a VAT Group, you may be able to join the Making Tax Digital pilot for VAT.

Published 16 October 2018
Last updated 12 February 2019 — [see all updates](#)
From: [HM Revenue & Customs](#)

Contents

- [Who can use this service](#)
- [How it works](#)
- [Sign up for the pilot](#)
- [Service availability](#)
- [If you need help](#)

Related content

Detailed guidance

- [Help and support for Making Tax Digital](#)
- [Find software suppliers for sending VAT Returns and Income Tax updates](#)

Collection

- [Making Tax Digital for VAT](#)

100%

Sign up

- The timing of when to sign up requires some care.
- Once signed up all future VAT returns will need to be submitted via MTD.
- Cannot be within 15 days of a direct debit payment
 - This is a change for DD purposes and so HM Revenue & Customs has to give 2 weeks notice before taking a payment.
- Suggest sign up after submitted (and paid) VAT return.
 - E.g. submit (and pay) quarter ended 31 March then sign up.
 - Remember to ensure records kept digitally from start of first VAT period after 1 April.

Sign Up

VAT Period:	MTD mandatory digital records from:	First MTD submission due date:	Sign Up
1 April 2019 – 30 April 2019	1 April 2019	7 June 2019	After submitted and paid March return
1 April 2019 – 30 June 2019	1 April 2019	7 August 2019	After submitted and paid March return
1 May 2019 – 31 July 2019	1 May 2019	7 September 2019	After submitted and paid April return
1 June 2019 – 31 August 2019	1 June 2019	7 October 2019	After submitted and paid May return

Linking your software

- Before being able to submit under MTD you will need to tell your software this is how you will be submitting and 'Link' it to HM Revenue & Customs.
- Process will vary within each software.
- Will need your government gateway details which you will have used/created when signing up to MTD.

Any Silver Linings?

- MTD for VAT first, then MTD for Income / Corporation Tax
 - Will make the transition easier
- Record keeping in real time
 - Potentially more expenses claimed – reducing tax liability?
- Using software
 - Tidier record keeping?
- Use of reporting functions
 - Better monitoring/control of cash flow
 - to understand business results ...

Help & Support

Help & Support Now

- Check if this affects you
- VAT Notice 700/22
- Checking software compatibility for filing
 - Upgrades / change of software...
- Preparing VAT returns in software
 - Help posting journals etc.
- Filing VAT returns on your behalf/providing bridging software
 - Especially Excel users



**KEEP
CALM
AND
MTD**

Q&A

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