



JUST ADD
TECH

How to Prepare for Digital Tax

What is MTD?

- Quarterly updating of records
- Digital records requirements
- What does “digital” mean

Quarterly Updating of Records to HMRC

- By 2020 it is likely:
 - Submissions entirely on digital record keeping
 - One month to submit, no more than 3 months after the last
 - HMRC will do quarterly tax calculation
 - Income Tax/Corporation Tax?

Digital Records Requirements (VAT)

Designatory Data

- Your business name
- The address of your principle place of business
- Your VAT number
- A record of any VAT accounting schemes that you use.

For each supply/purchase you make you must record:

- The date
- The value
- The rate of VAT
- Invoice totals summarised

Digital Records Requirements (VAT)

VAT Data

The VAT account is the link - the audit trail - between your business records and your VAT return. Under MTD for VAT, the information required to be held in the VAT account must be kept digitally and be used by functional compatible software to calculate and file your return

To show the link between your records on the return, you must have a record of:

- tax on sales/purchases
- tax on sales/purchases from EU member states
- tax under a reverse charge procedure
- tax following a correction or error adjustment
- any other adjustment of VAT

What Does “Digital” Mean and What is the Effect on your Business?

- Hand written cash books and ledgers – **not digital**
- Spreadsheets – yes but in association with applicable software (**not digital** on their own)
- Desktop software – yes but in association with applicable software (**not digital** on their own)
- Cloud accounting software – yes this is digital!

Why is MTD coming?

- HMRC's Four Foundations
- Digital age
- Tax Gap

Four Foundations of Making Tax Digital

- Better Use of Information
- Tax in Real Time
- A single financial account
- Interacting digitally with customers

Bringing Business Tax into the Digital Age

- HMRC systems are in need of replacement
- Different systems for PAYE, Self Assessment, VAT etc.
- New systems with one digital account per tax payer for all information

Mind the gap

- Tax Gap – by making us file quarterly information and keeping digital records, HMRC believe it will reduce errors and administration and speed up payment of taxes with “voluntary pay as you go”
- In 2014/15 £3.5 billion of revenue was lost due to mistakes in VAT returns alone. (£8b in total)

Who is MTD for?

- MTD for individuals
- MTD for businesses

Making Tax Digital for Individuals

- Personal Tax Account
- 3rd Party Information
- No longer need to complete tax returns at the end of the year. (10m tax returns)

Making Tax Digital for Businesses

- Modern tax system based on digital technology
- Integrated digital record-keeping (VAT only) to provide a single, seamless process with quarterly updates generated and sent direct from the software the business/agent uses to keep their records.
- Opportunity to provide quarterly updates for other taxes too

When Does MTD Apply?

- Charities, CASC, digitally challenged are exempt
- Above VAT threshold, for VAT purposes, April 2019
- All other businesses likely to be by April 2020 over £10,000 turnover
- Corporation and income tax from April 2020?

How to Prepare for Digital Tax - Summary

- Starts April 2019 for businesses (self-employed and landlords) above VAT registered threshold currently £85,000
- 98% of VAT registered businesses already file VAT online!
- Records must be “digital” and filed through MTD compatible software (alerts and prompts)
- HMRC will not be providing any free software
- All other businesses likely to be by 2020
- You will need to take action NOW! 2.55m VAT registered businesses in March 2016 (ONS)

How We Help you Comply!

- Provide you with digital accounting software
- Train you to enter your data easily
- Make the process cost effective to your business

How do you Make the Switch?

We can:

- Import your data directly into the software
- Issue you with log in and passwords for your computer, phone, tablet so you can enter and view your financial records ANYWHERE, ANYTIME
- Provide training for you and your bookkeeper
- Support you whenever you need a question answering

Summary of Benefits

- HMRC compliant
- See your results 24/7
- Enter data “on the go”
- Automatic bank data
- No annual license fee (monthly subscription)
- Secure data protection with bank type encryption
- Real time information

MTD Recap – Act Now!

- Starts April 2019 for VAT records
- Records must be “digital”
- All other businesses by 2020
- Eventually - one account for each tax payer (individual or a business) where ALL information can be found
- Means you will need to take action NOW!

Summary

- You have to comply with HMRC requirements
- We will make the transition as easy and simple for you
- Do not get left behind – you will LOVE the new way of doing things!
- Thank you for listening!