

# Making Tax Digital

## Actions to take now

### Making Tax Digital (MTD) for VAT is coming - and simply submitting VAT returns online isn't enough to comply.

#### Who needs to act

All organisations with a taxable turnover over the VAT threshold will need to use MTD to report on their VAT from April 2019. They will continue to use MTD even if their turnover later falls below this amount. This will apply to all sole traders, partnerships, limited companies, and charities with a taxable income of more than £85,000 in a rolling 12-month period.

All other businesses that are VAT registered can choose to remain on their existing system, or use MTD.

#### What is it?

MTD is the online submission of accounting and tax information via approved software to HMRC. VAT registered businesses is the first stage of a roll-out: all tax submissions will eventually be submitted online in a phased roll-out but not before 2020.

#### What you need to do

There are two essential parts to MTD:

1. You'll have to keep your accounting records in a digital format; and
2. You'll need to submit your income, expenditure and tax computations to HMRC using MTD-compatible software.

For VAT, you won't need to keep records such as invoices in a digital format, but will need to do so for transactional data such as invoice dates and values. You can add supplementary data if you want, but you'll then be obliged to submit the same extra information in each subsequent return.

#### Using software to keep your digital records

You will be required to use approved software to record and submit the information needed to form your VAT return, which will be most, if not all, of your business'

accounting records.

There will be no official MTD software, though HMRC will work with suppliers to make sure software is compatible. An initial trial period currently underway will help with this. If you already use accounting software to submit VAT returns to HMRC, then the transition to the new system should be relatively smooth. HMRC will also allow certain adjustments to be manually calculated and input, and have said that they will take a light-touch approach to enforcement, at least initially. If you aren't already using software, and are using an Excel or an out-dated package you need to prepare for MTD now.

#### HMRC trial

HMRC began a trial of digital reporting in late 2017. They are actively seeking more participants and widening the trial in April 2018 - this could be a good way to use the systems before you're compelled to.

#### Exemptions

MTD exemptions will be the same as for online submission of VAT returns:

- Businesses or organisations run entirely by practicing members of a religious society whose beliefs prevent them from using computers
- Where it is not reasonably practicable for a VAT registered person to use a computer to submit VAT returns for reasons of age, disability or remoteness.

#### The future

All businesses and organisations, with only the above exemptions, will have to eventually comply with MTD. Quarterly MTD returns will replace the annual corporation tax return and the business pages of self-assessment returns. You'll need to make a quarterly return for each tax your business pays - meaning that, eventually, you'll be required to submit a quarterly VAT return and a quarterly corporation/income tax return

## MTD: the timetable

Spring 2018	Trial to be extended. HMRC currently looking for test businesses
1 April 2019	MTD becomes mandatory for all qualifying businesses/VAT registered entities
2019-2020	MTD for VAT to be evaluated and taken into consideration with roll out for other taxes
From 2020	Roll-out of MTD for other taxes

# Get compliant with C+T

Our comprehensive service will ensure you're fully compliant with MTD now, and ready for when it rolls out.

We'll establish what you need to do, by when, and the best solution for your business. This includes accounting software choice and training.

### Step 1

We'll give you an initial free check to see whether you'll need to comply by March 2019. You can also do this yourself using our short diagnostic questionnaire. [Click here to complete the questionnaire.](#)

### Step 2

If you need to make changes, we'll help you select the right software for you. This will be based upon a consultation that takes into account your business' records and practical elements like staff capability and preferences. We can also arrange to submit your quarterly reports for you, if you'd prefer.

### Step 3

We'll arrange the software installation, and train up your staff to use it.

### Step 4

You're ready to go! We'll be on-hand to help with anything that comes up but you'll be MTD-compliant and ready to submit data to HMRC in the right way.

All of our services in steps 2 and 3 will be based on a fixed cost, agreed with you up front before the work starts.

### Contact us

[mtd@chiene.co.uk](mailto:mtd@chiene.co.uk), or your usual C+T contact, or call 0131 558 5800.