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Making Tax Digital

Where are we at?

The 2015 Budget announced the “death of the annual tax return” with a new digital system to be introduced by 2020. The government plan is to make these fundamental changes to the tax system by Making Tax Digital (MTD) and has resulted in the publication of six consultation documents which were released on 15 August 2016.

By 2020 most businesses, self employed people and landlords will be required to use software or apps to keep their business records digitally and to report this information quarterly to H M Revenue & Customs. The transition will commence in April 2018 for Income Tax and National Insurance with VAT digital reporting from April 2019 and Corporate Tax from April 2020.

Unincorporated businesses with combined turnover of less than £ 10,000 will be exempt from MTD. There will also be exemptions for Charities, Community Amateur Sports Clubs and those unable to use digital systems due to religious beliefs or medical conditions.

So what does this mean for the taxpayer?

This radical change will see tax returns for both individuals and partnerships being abolished along with VAT returns.

These changes will see a shift to a system where tax compliance is integrated into a business' daily activities rather than a separate exercise carried out after the year end. Businesses will need to keep digital records and make quarterly submissions to HMRC. These quarterly submissions will then be supplemented by a year end declaration confirming the final figures for the year.

Each taxpayer will have a Digital Tax Account which they will be able to link to their software to make the quarterly submissions. You will also have the facility with the Digital Tax Account to authorise your accountant to have access to your digital account.

The transition to MTD will require taxpayer and agent resource in terms of time and money. There will be an influx of software products into the market place to cater for this change. As your advisers we can offer guidance on what product will suit your business to minimise the administration burden and cost of compliance. We have in our team accredited software advisors for Sage, Xero, Kashflow and Quickbooks Online.

There are many areas where the details have not been finalised but what we are sure of is that making tax digital is not going to disappear and will definitely be introduced from April 2018....so we better start planning!

The consultation period will end on 7 November 2016 and we will continue to keep you informed of developments over the coming months. If you would like to discuss how the move to digital reporting will affect your business, please contact Kirsty MacDonald at kirsty.macdonald@renniewelch.co.uk.

