

Making Tax Digital for Businesses and Landlords

Helping clients understand and prepare for
Making Tax Digital



**HSA
& CO**

CHARTERED ACCOUNTANTS
TAX & BUSINESS ADVISORS



Making Tax Digital explained

Making Tax Digital for Businesses and Landlords (referred to as MTD) is a government initiative all about making it easier for you to manage and pay taxes.

MTD is intended to bring the UK tax system into the 21st century by providing businesses and landlords with a modern, streamlined system to keep their tax records and provide information to HM Revenue & Customs (HMRC).

MTD will be the most significant change to the tax system for taxpayers since the introduction of self-assessment.

The background

What is the MTD initiative?

- It is HMRC's ambitious project to “remove the need to complete an annual tax return”
- It is a transformation of the entire UK tax system, from form-based to online
- It will encompass all taxes
- It includes a proposed requirement for all businesses and landlords to report their quarterly accounting data online

What are HMRC's motivations?

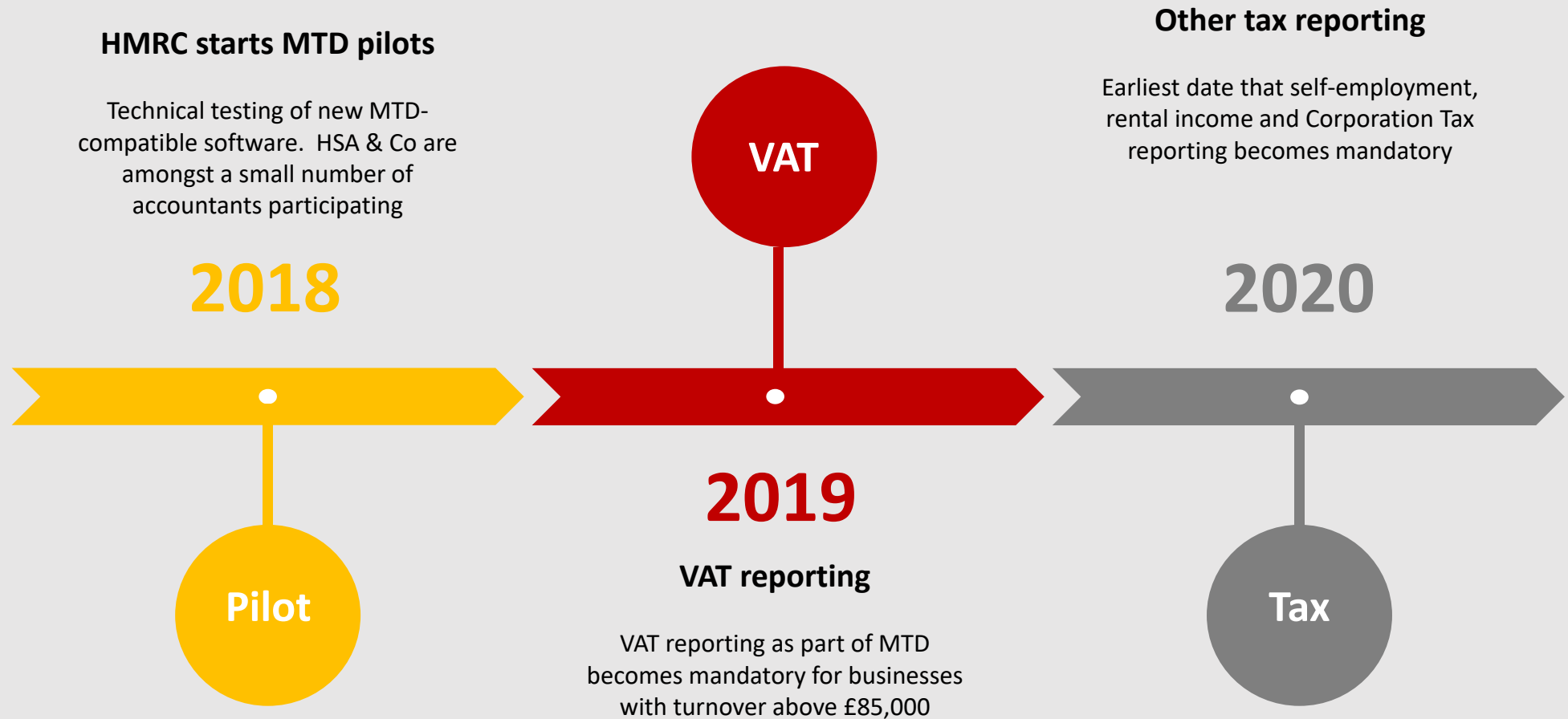
- Making tax reporting less onerous
- Create greater taxpayer engagement
- Give taxpayers a single picture of all tax liabilities and entitlements in one place
- Give businesses and landlords greater clarity on tax falling due

What will that mean for you?

- It will change the established cycle and methods of tax reporting
- Most businesses and landlords will be required to use online accounting software to report transaction data to HMRC, probably quarterly
- There will be less re-keying of data; HMRC will pre-populate tax accounts with the information they already hold
- The taxpayer (or accountant) will be required to “check, confirm, correct, confess”



The MTD timeline



Frequently asked questions?

What taxes does this affect?

VAT registered businesses will be the first to start keeping digital records and submitting quarterly updates for the purposes of VAT. Other taxes – including income tax and corporation tax will follow in April 2020 at the earliest

Will there be a change to my tax payments?

No, HMRC have said that more frequent tax payments are currently out of scope

Will there be penalties for not filing via MTD?

HMRC has promised a 'soft-landing' in the first 12 months, but there will be a penalty regime

Will there still be year-end reporting?

Yes, HMRC have indicated they will expect an end of year (final) report

Does this mean quarterly tax returns?

HMRC is clear that MTD will not be quarterly tax returns. They do want quarterly data from businesses and landlords

Can I use a spreadsheet?

Yes, but there is a catch. Spreadsheets will not directly link with HMRC's MTD system, you will need to obtain software that links the two. This software doesn't currently exist. It is likely that someone will develop one, it is also likely there will be a charge

This will not affect me, right?

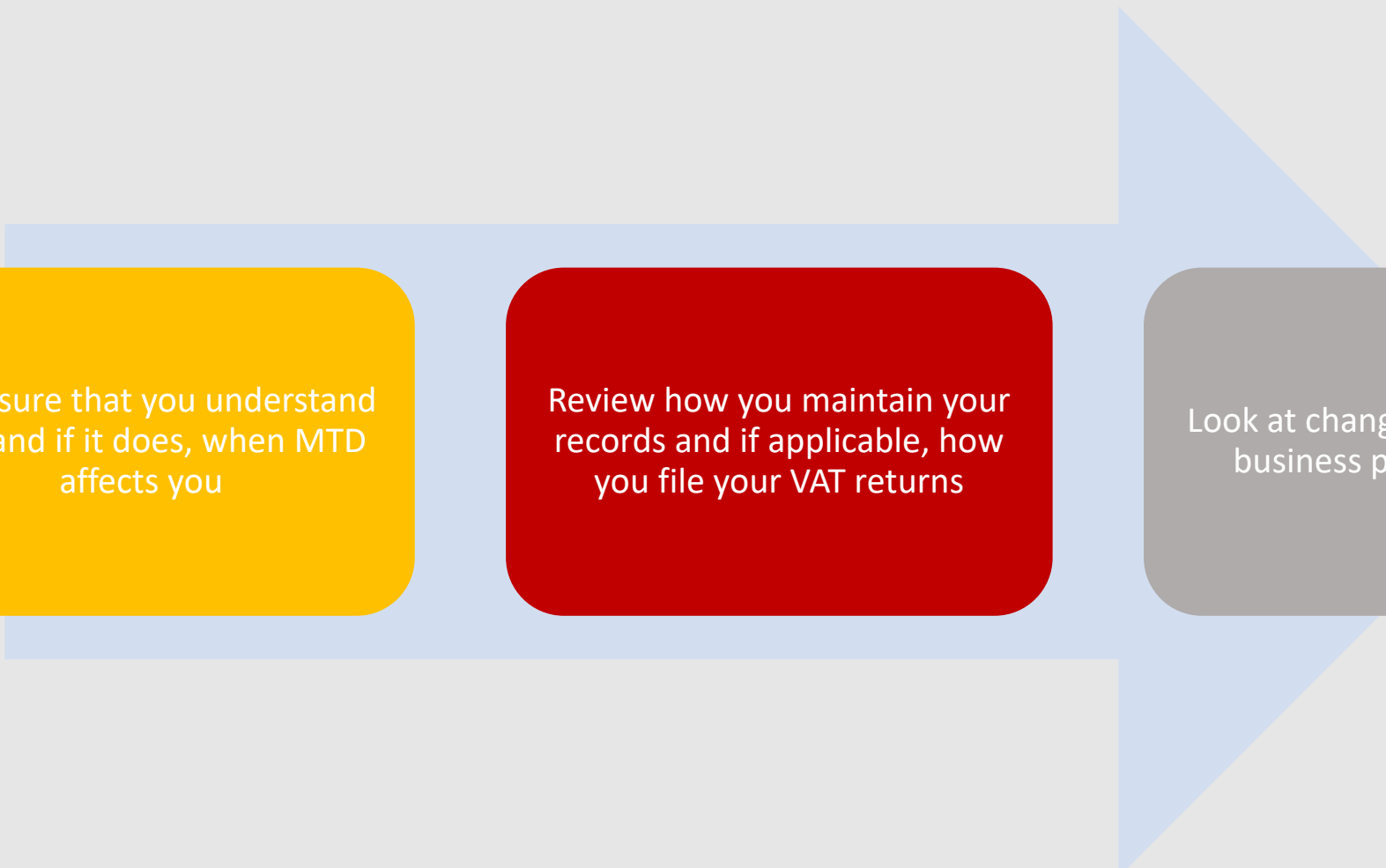
From an HMRC survey this is the percentage of businesses impacted:

51% of limited companies

62% registered for VAT

93% of sole traders and landlords

How can you get ready?



Make sure that you understand how and if it does, when MTD affects you

Review how you maintain your records and if applicable, how you file your VAT returns

Look at changing software and business processes early

Introducing Cloud Accounting

HMRC is encouraging businesses to use accounting software. Software such as QuickBooks Online and Xero are the best of breed.

Accounting software should not be difficult

Accounting software for small businesses that is not available via the cloud can be tedious. Traditionally, it can take up far too much of your business's time and effort. Cloud software can save your business time and money.

What is the cloud?

Think about when you use internet banking. Every time you access this data, you are using the cloud. The cloud is a platform to make data and software accessible online anytime, anywhere, from any device. Your hard drive is no longer the central hub.

Why use cloud accounting?



Easy to use

Designed to be used by businesses, not accountants



Save time

It can be time consuming keeping an organisation's records. Stream-line that process



Secure

Your data secured in the cloud is routinely backed up to multiple locations



In the know

A clear overview of how your business is doing



Link to your bank

Connect to your bank so that transactions flow automatically into your records



Collaborate

Work easier with others, in your team and with us

Support from **HSA & Co**

You are not going to face these changes alone! We are ready to support our clients. We are prepared for Making Tax Digital and are Cloud Accounting experts.

We will support you every step of the way, helping you to understand exactly what this means for you and your business.

We will be contacting all of our clients, but if you want to speak to us please contact your manager, they'd be happy to help.



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