



Making Tax Digital



What is Making Tax Digital?

Making Tax Digital (MTD) is the biggest change to VAT in decades!

MTD is the government's plan to digitalise the tax system, with every individual in the UK eventually having their own personal tax account and every business its own business tax account - meaning the end of the annual tax return for millions.

Where we are now:

Currently, any VAT registered business has a responsibility to provide information to HMRC by completing a VAT return, whether that is monthly, quarterly or annually. This is processed by accessing the HMRC VAT gateway and entering the required information, either directly with HMRC or through an application programming interface (API) via accounting software providers such as Xero.

For those businesses that submit direct to HMRC, many are still using manual systems to record their accounting information and others are using spreadsheets such as Microsoft Excel and Google Sheets.

How will MTD change VAT returns?

MTD changes this for all VAT periods that commence after 1 April 2019 for all businesses with taxable turnover above £85,000. After this date, the current HMRC portal will be closed and VAT returns will only be able to be submitted via an application programming interface (API).

Once MTD is mandatory, businesses will be required to keep their accounting records in a digital manner. It was intended that spreadsheets would not count, but this has been relaxed as long as there is an API that can link them to HMRC – no such software exists yet but Armstrong Watson will be keeping abreast of developments and informing of any changes.

MTD Requirements of accounting software

All businesses will need to review their accounting software to ensure that it will be compliant with the new regime. As a minimum, it will need to be able to:

- Process records in a digital form
- Preserve digital records in a digital form
- Create a VAT return from the digital records
- Provide HMRC with VAT data on a voluntary basis
- Receive information from HMRC via the API platform in order to allow HMRC to send 'nudges' to the firm or their tax agent

Digital record keeping requirements

HMRC has confirmed businesses do not need to keep digital invoices and receipts, however, they do need to keep the transaction data digitally.

The list below summarises what is required to be kept digitally:

Designatory data:

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

For each supply you make you must record:

- The time of supply
- The value of the supply
- The rate of VAT charged

For each supply you receive you must record:

- The time of supply
- The value of the supply including any VAT that is not claimable by you
- The amount of input tax that you will claim

Armstrong Watson MTD Solution

Armstrong Watson has been working towards an MTD solution for the last two years and we are ready to help all clients get compliant. With a dedicated onboarding team, our innovative approach allows us to do this as quickly and as efficiently as possible resulting in two main solutions:

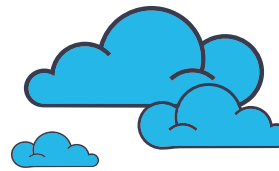
Armstrong Watson assisted – Simply provide us with a digital bank feed (very easy to set up) and we can cost effectively take care of your MTD needs in the way we have helped clients prepare VAT returns in the past.

Armstrong Watson Xero Training – Let Armstrong Watson use our 8 year Xero experience to help you set up your own digital accounting system, enabling you to take care of your MTD requirements. Xero accounting software is the leading digital software in the UK and Armstrong Watson is not only the largest UK Xero partner we were Xero's UK Accounting Partner of the Year in 2017. This accolade has been achieved by being one of the first accountancy firms to market Xero and through the support from hundreds of clients that have already made the move to Xero.

If Xero is not right for your business, our team will work with you to ensure you have the right accounting software to meet your needs.

MTD should not be seen as a red tape, it should be seen as an opportunity to get control over your business information, opening the doors to business forecasting/budgeting and significantly easier access to finance.

If you have any concerns over MTD please get in touch now and let Armstrong Watson show how we can help you ensure you are MTD compliant, and get a clearer view of your business by going Digital.



What should you do now?

A poll* carried out in 2017 suggested 72% of businesses affected would seek help from their accountant/tax advisor. This means that accountants are going to be very busy helping clients, and if this is left until April 2019, many businesses are not going to be compliant from the start date. To ensure your business is ready it is recommended you take action now.

- 1 If you are not using digital accounting software speak to us as soon as possible so we can assist you through the process of conversion to digital recording
- 2 If you are using a digital accounting software please check with us to ensure the software is going to be MTD compliant in time

To find out more about Making Tax Digital and how we can help ensure your business is compliant, contact our dedicated onboarding team:



T: 0808 144 5755
E: MTD@armstrongwatson.co.uk



*Ipsos MORI

ArmstrongWatson®
Accountants, Business & Financial Advisers