



# MAKING TAX DIGITAL

A Bite-size Guide for Business



# WHAT IS MAKING TAX DIGITAL?

## AT A GLANCE

Making Tax Digital for business is a

Government project that will put all your tax information together in one online place. It's one of the most significant reforms to the tax system in recent times, affecting all businesses with a turnover of over £10,000.

The biggest change will be the replacement of the annual tax return with quarterly reporting from April 2018 for small businesses with a turnover above the VAT threshold of £85,000.

There will also be the requirement for an annual reconciliation (finalising the tax position for the financial year) to be made no later than 10 months after the end of your accounting period. Your accountant can inform you of this date.

The information provided within this guide is based on current guidance from H.M.R.C. and may be subject to change as a result of revisions to the Finance Bill 2017. Please consult with your us before taking any action.

# WHY IS THE GOVERNMENT MAKING TAX DIGITAL?

- **Accurate Tax Information**

Replacing paper-based bookkeeping with digital tax accounts will let you check that the information H.M. Revenue & Customs (H.M.R.C.) holds about you is 100% correct.

- **Reduced Errors**

Making Tax Digital's new reporting function will allow H.M.R.C. to look at accurate tax information almost immediately, reducing human error from data input.

- **Easier to understand**

H.M.R.C. believes taxpayers will better understand how much tax is owed within the digital tax account – much like online banking.

- **Easier contact with H.M.R.C**

Making Tax Digital will make it easier for you to contact H.M.R.C. online via web chats and secure messages.

The UK tax system has been gradually moving online since 2015, when the Government first announced its Making Tax Digital project.

These changes have already begun, almost every taxpayer and small business owner now has a Personal Tax Account that lets them check their finances and manage the information H.M.R.C holds about them.

# WHAT IS A PERSONAL TAX ACCOUNT?

A Personal Tax Account is provided by H.M.R.C to put an individual's tax details in one place so that you can register, file, pay and update your tax information online whenever you want.

Eight million people are already using a Personal Tax Account to complete a variety of tasks, from simply updating an address to checking their tax code.

In addition to the Personal Tax Account, there is also an Online Tax Account for Businesses, which gives small and medium-sized businesses similar access to their H.M.R.C account, as well as being able to process taxes including P.A.Y.E for employers, VAT, Corporation Tax, and Self-Assessment.

When Making Tax Digital applies for all businesses by 2020, you will no longer need to submit the same details to numerous places as the information about pensions, employment, P.A.Y.E. codes will all be gathered together to calculate tax.

# WHEN WILL IT AFFECT ME?

H.M.R.C will gradually start to put its digital tax system into place and we will be writing to clients who are affected by this change in the following order:

- **April 2019** – Only VAT registered business will need to keep digital records and only for the purposes of VAT.
- **Other businesses will not be asked to maintain digital records nor to file quarterly updates for other taxes until April 2020.**

This new timetable was announced on Friday 14<sup>th</sup> July 2017, should provide the software industry sufficient time for testing and implementation given the scope of changes that have been mandated by HMRC.

**Businesses, self-employed people and landlords who have a turnover below £10,000 are exempt from these requirements.**

If you are in employment and have secondary income of more than £10,000 per year through self-employment, you will also need to use the digital service.



#### Jan - June 2017

- Testing starts for digital reporting of income from letting property
- New online billing system begins.
- Taxpayers able to report additional sources of income through their digital tax account

#### Jul - Dec 2017

- Digital tax accounts show taxpayers an overview of their tax liabilities in one place
- Automatic tax code adjustments prevent P.A.Y.E under and overpayments

#### Jan - Jun 2018

- Interest paid by banks and building societies starts to be shown in digital tax accounts

#### Apr 2019

- Most businesses, self-employed and landlords start updating H.M.R.C quarterly for income tax and National Insurance obligations through their accounting software

- Most businesses, self-employed and landlords start updating H.M.R.C quarterly for VAT obligations through their accounting software

2020

- Capital Gains Tax on the disposal of residential properties needs to be paid within 30 days

- Most businesses, self-employed and landlords start updating H.M.R.C quarterly for Corporation Tax obligations through their accounting software

2020

- The full range of H.M.R.C services are available through digital tax accounts





# THE SKY'S THE LIMIT WITH ACCOUNTING IN THE CLOUD

H.M.R.C will not be providing any online 'cloud-based' software, instead it will allow software providers access to its computer systems so they can directly link up. By doing this, it will allow your chosen software to automatically update their tax account, with information submitted to H.M.R.C

## WHAT SOFTWARE SHOULD I USE?

To make the switch from paper to digital accounting as easy as possible for small businesses, ABS Accountancy has already looked at many software solutions available for when Making Tax Digital starts.

We can offer you digital accounting through our partners Xero. If you already use online accounting software (such as Quickbooks, Kashflow, FreeAgent, Sage or others) then we can help you meet the requirements of Making Tax Digital too, regardless of which product you prefer to use.....

If you would like us to help you through these changes then call us today on **01298 808497** or visit [www.absaccountancy.co.uk](http://www.absaccountancy.co.uk).



# SUPPORT FOR YOU AND YOUR BUSINESS

As small business owners ourselves, we fully understand what is required to manage your business records digitally. At ABS Accountancy, we've spent a great deal of time and energy training and developing the right support services to help you through this period of change.

While there will be some extra costs to the way we work and support you, we do feel that once you have more up to date information about your business, planning and requesting any necessary funding to grow will be much easier in the future.

The digital accounting tools already available to you can help you raise invoices from your smart phone, get paid faster and help you make decisions on the go.

**We are here for you and ready to  
Make Life Simple.**



# CONTACT US

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