



MAKING TAX DIGITAL

A Bite-size Guide for Business



WHAT IS MAKING TAX DIGITAL?

AT A GLANCE

Making Tax Digital for business is a HM Revenue & Customs (HMRC) project designed to use the latest technology to provide taxpayers with a streamlined system to store all tax information in one online place.

Since it was announced in 2015, Making Tax Digital has undergone several changes – some of which have already been introduced. Almost all UK taxpayers and owners of small business now have a Personal Tax Account enabling them to check their finances and manage the information HMRC holds about them ‘on the go’.

From April 2019, businesses above the VAT threshold will be required to keep their records digitally and provide HMRC with quarterly updates for their VAT. Keeping business records digitally means recording the transactions within appropriate bookkeeping software which is compatible with HMRC’s systems to enable the updates to be made.

The information provided within this guide is based on current guidance from HMRC and may be subject to change. Please consult with your local TaxAssist Accountant before taking any action.

WHY IS THE GOVERNMENT MAKING TAX DIGITAL?

- **Accurate Tax Information**

Replacing paper-based bookkeeping with digital tax accounts means you can check the information HMRC hold about you is 100% accurate

- **Reduced Errors**

Making Tax Digital's new digital reporting will allow HMRC to look at up-to-the-minute tax information almost instantly, greatly reducing human error from data input

- **Easier to understand**

HMRC is confident that taxpayers will find it easier within their digital tax account to understand how much tax is owed in a similar way to using online banking.

- **Easier contact with HMRC**

Making Tax Digital will make it easier for you to contact HMRC online via webchats and secure messages

The UK tax system has been gradually moving online since 2015, when HMRC 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 HMRC holds about them.

WHAT IS A PERSONAL TAX ACCOUNT?

A Personal Tax Account is provided by HMRC 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.

More than 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 HMRC account, as well as being able to process taxes including PAYE for employers, VAT, Corporation Tax, and Self-Assessment.

When Making Tax Digital is expected to apply for all businesses from 2020 – at the earliest – you will no longer need to submit the same details to numerous places as the information about pensions, employment, PAYE codes will all be gathered together to calculate tax.

WHEN WILL IT AFFECT YOUR BUSINESS?

Having renewed its commitment Making Tax Digital in summer 2017, HMRC also recognised that many small businesses would need additional time to prepare for the changeover.

As a result, the original timeline has been revised to the following:

- **Late 2017** – Small-scale private testing of Making Tax Digital started.
 - **Spring 2018** – HMRC begins a wider, live pilot of VAT reporting.
 - **April 2019** – Businesses with a turnover above the current VAT threshold of £85,000 will be required to maintain digital records – but only for VAT purposes. The smallest businesses will not have to use the new system but have the option to do so voluntarily if they want.
 - **April 2020** – Businesses will not be asked to keep digital records or to update HMRC quarterly for other taxes until 2020 at the earliest.
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Sole Traders, Partnerships and Landlords (unincorporated businesses)

From April 2019, Making Tax Digital will be introduced for VAT-registered unincorporated businesses whose turnover is above the current threshold of £85,000 – and only for quarterly VAT reporting. Unincorporated businesses whose turnover is below the threshold, will not be affected until 2020 at the earliest.

Limited Companies

Limited companies whose turnover is more than the VAT threshold (currently £85,000) will come under the Making Tax Digital rules for quarterly VAT reporting from April 2019. Limited companies with a turnover less than £85,000 will not have to keep digital records for VAT before 2020 at the soonest.

Employees

Anyone who pays income tax via Pay-As-You-Earn (PAYE), will experience little difference to the current system. However, they will be able to use their Personal Tax Account to access their tax records online, similar to those who complete and submit a self-assessment tax return.

HOW TO PREPARE

If you are still using paper-based records, you should seriously consider changing over to digital accounting now, so your business enjoys a much smoother transition to digital reporting when it is introduced. Trying to swap to digital record keeping and digital reporting at the same time could be an overwhelming task, so make the change gradually by taking that first step now.

By not delaying the changeover to digital record keeping, you can also enjoy the many benefits of using online accounting software. These include being able to raise invoices from your smartphone, receive payments faster and manage your accounts wherever you are.

THE SKY'S THE LIMIT WITH ACCOUNTING IN THE CLOUD

HMRC 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 your tax account, with information submitted to HMRC.

WHAT SOFTWARE SHOULD I USE?

To make the change over from paper to digital accounting as easy as possible for small businesses, TaxAssist Accountants has already looked at many software solutions available for when Making Tax Digital starts. We can offer you digital accounting through our partners Intuit QuickBooks.

If you already use online accounting software (such as Xero, 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 **0800 0523 555** or visit www.taxassist.co.uk. You can also access these online tools via our App in the App Store or Google Play store.



SUPPORT FOR YOU AND YOUR BUSINESS

As small business owners ourselves, we fully understand what is required to manage your business records digitally. At TaxAssist Accountants, 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.

For more information about how to prepare for Making Tax Digital or any other tax-related matters, please call TaxAssist Accountants on 0800 0523 555.

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



