

The background is a light blue gradient with a horizontal dark blue band across the middle. Above the band, there are several icons: a large dark blue circle with a white gear, a blue circle with white people icons, and various smaller colored circles (yellow, green, blue, red). Below the band, there are more icons: a blue circle with a white lightbulb, a yellow circle with a white map of Australia, a green circle with the letters 'qb' in white, a green circle with a white Wi-Fi symbol, and a dark blue circle with a white clock face. 

# 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 HMRC and may be subject to change as a result of revisions to the Finance Bill 2017. Please consult with your local TaxAssist Accountant before taking any action.

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# 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 HM Revenue & Customs (HMRC) holds about you is 100% correct.

## ● Reduced Errors

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

## ● Easier to understand

HMRC believes taxpayers will better understand how much tax is owed within the digital tax account – much like 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 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 HMRC holds about them.

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# 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.

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 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, PAYE codes will all be gathered together to calculate tax.

# WHEN WILL IT AFFECT ME?

HMRC 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 2018** – Quarterly reporting starts for businesses (inc. landlords) with a turnover above the VAT registration threshold of £85,000.

- **April 2019** – Quarterly reporting for businesses (inc. landlords) with a turnover below the VAT registration threshold of £85,000. Digital quarterly reporting for VAT also begins.

- **April 2020** – Quarterly reporting for companies introduced.

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.

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Jan-Jun 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 PAYE under and overpayments

Jan-Jun 2018

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

Apr 2018

- Most businesses, self-employed and landlords start updating HMRC quarterly for income tax and National Insurance obligations through their accounting software

- Most businesses, self-employed and landlords start updating HMRC quarterly for **VAT obligations** through their accounting software

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

2019

- Most businesses, self-employed and landlords start updating HMRC quarterly for **Corporation Tax obligations** through their accounting software

- The full range of HMRC services are available through digital tax accounts

2020



# 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 their tax account, with information submitted to HMRC.

## WHAT SOFTWARE SHOULD I USE?

To make the switch 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](http://www.taxassist.co.uk). You can also access these online tools via our App in the App Store or Google Play store.



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# 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.

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



