

FOCUS ON

Making Tax Digital

By 2020, the tax return will have been abolished altogether. Most businesses, self-employed people and landlords will need to keep records digitally and will update HMRC more frequently than is currently the case.

On the 15th August 2016, the government released 6 consultation documents regarding their Tax Digitalisation strategy. Here we summarise the key proposals, outline how MHA MacIntyre Hudson can assist with implementing digital systems and highlight the key advantages that digitalisation will present.

What is HMRC proposing?

Digital records

Businesses and landlords will be required to maintain their records on apps or software that is compatible with HMRC's interfaces. HMRC is exploring the possibility of businesses keeping their records on Excel but while it is open for discussion, this route seems unlikely.

Quarterly reporting and the year end declaration

Businesses and landlords will have to submit information online on a quarterly basis as well as make an end of year declaration through their digital software. The information will be summary information rather than on a transaction basis.

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Exemptions

Businesses and landlords with gross income < £10,000 p.a., charities, community amateur sports clubs and the digitally excluded will be exempt from tax digitalisation.

Voluntary pay as you go

Businesses will be able to opt into a pay as you go system for the collective payment of taxes.

Simplification

HMRC is considering a simplification to the process of computing and taxing profits. An extension of the cash basis is being proposed, along with the basis on which those profits are assessed in a particular tax year.

Who will be affected?

- Unincorporated businesses and landlords with gross income > £10,000 p.a.
- Partnerships including LLPs.
- Limited companies although larger ones will be affected to a lesser extent given they generally already use digital software and make regular payments of tax.





When is it all coming in?



What do affected parties need to think about now?

It is now clear that maintaining records digitally is going to be mandatory from April 2018. Taxpayers' main priority should therefore be to start thinking about implementing a cloud accounting system if they do not currently have one in place. It is possible to do this from whatever form your record keeping is currently in and MHA MacIntyre Hudson can assist you with this.

We have extensive experience helping clients transition into the Cloud. We have forged a platinum partnership with Xero, one of the leading cloud accounting software providers but whether you want to implement Xero, QuickBooks online, Sage One or any other platform, we can guide you through the change.

What are the benefits of cloud accounting?

The list of benefits is fairly extensive!

You get instant access to your records from any mobile device purely because the information is kept on the Cloud. As long as you have internet access, you are able to access, update and review the information wherever you are.

The knock on benefit to instant access is that you will know what financial position your business is in, at any point in time, by simply running a report on that day. This facilitates cash flow management and speeds up the process of making business decisions.

The time it takes to update records is drastically reduced due to things like invoice scanning and automatic bank feeds. The software will automatically analyse these transactions so you don't have to do it manually yourself. This improved efficiency will cut costs and will help improve cash flow as the system will be able to prompt you and then your clients when they have delayed making payment.

And finally, this all allows you to think very little about accounts and much more about actually running your business. It also means that MHA MacIntyre Hudson, as your advisor, will be in a better position to provide you with strategic business advice to help your business grow.

Contact us

For advice on implementing digital systems or for further information on what Making Tax Digital means for you, please contact your local office.



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