

FOCUS ON

Making Tax Digital for Business

Making Tax Digital for Business (MTDfB) is undoubtedly the biggest change to the administration of tax since the introduction of PAYE in the first half of the last century.

It will affect every business in the UK with turnover in excess of the VAT registration threshold, in particular, changing the way that businesses keep their accounting records and report their profit to HMRC.

MHA MacIntyre Hudson explains the latest requirements of the MTDfB regime and what you need to do now to prepare your business for the changes.

The original proposals

MTDfB was originally designed so as to first take effect for income tax purposes. This meant that from April 2018, the self-employed and landlords would have to:

- Keep digital accounting records. They would be able to continue to use spreadsheets for record keeping, but had to ensure that the spreadsheet met the necessary requirements of MTD. This would involve combining the spreadsheet with software.
- Update HMRC with their summary income and expenses at least quarterly with software that complies with MTD.
- Finalise the annual accounts and tax computation and submit them to HMRC within ten months of the end of the accounting period.

It was also going to be possible for businesses to opt into a pay as you go system for the collective payment of taxes.

The latest

The Government has revised its timetable for MTDfB. Under the latest plans:

- Only businesses with a turnover above the VAT registration threshold will have to keep digital records.
- They will need to do so from April 2019 for VAT reporting.
- For income tax reporting obligations, the self-employed and landlords will not be asked to keep digital records or to update HMRC quarterly, until at least 2020.
- There are no changes from the original proposal for companies.

“ We offer a range of services and support to assist you with meeting your obligations under MTDfB.

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Exemptions

There are a range of exemptions available as follows:

- Charities (but not charity trading subsidiaries).
- Community amateur sports club.
- The digitally excluded - those for whom online filing is not reasonably practicable for reasons of disability, age remoteness of location, or any other reason; those who are a practising member of a religious society or order whose beliefs are incompatible with the use of electronic communications.
- All businesses with income below the VAT registration threshold (aggregate income from all unincorporated businesses and rentals), currently £85,000.

Timeline

	April 2018	April 2019	April 2020
Income Tax obligations			Unincorporated businesses with turnover > VAT registration threshold
VAT reporting		All businesses (unincorporated and incorporated) with turnover > VAT registration threshold	
Corporation Tax obligations			Companies with turnover > VAT registration threshold

Why else should I go digital?

The increasingly entrepreneurial and competitive business environment has created a need for businesses of all sizes to have more frequently updated financial information, through the use of cloud based accounting software. If a business doesn't strike on opportunities while the iron is hot, they miss out. The ability to move quickly very often depends on the financial position of the business, but looking at the prior year's accounts doesn't necessarily shed light on the current position.

Our Services

We offer a range of services and support to assist you with meeting your obligations under MTDfB. Whether you simply need advice on software or you are looking for us to take the burden of quarterly reporting off your hands entirely, we have a package to cater for your needs.

	Fully Managed	Fully Supported	DIY
Provision of fully integrated cloud based software solution	YES	YES	YES
Training, including a procedural checklist for quarterly updates		YES	YES
Pre submission review of accounting records (amendments as necessary)		YES	
Accounting record update and reconciliations	YES		
Quarterly submissions to HMRC	YES	YES	
Accounts preparation	YES	YES	YES
Tax compliance	YES	YES	YES
End of year declaration to HMRC	YES	YES	YES

Contact us

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



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