



Making Tax Digital

WHAT IT MEANS FOR YOU AND WHY YOU SHOULDN'T BE AFRAID!



ORLEIGH FOX
CHARTERED ACCOUNTANTS

Paulton
01761 231385

info@orleighfox.co.uk

Chippenham
01249 735000

You may by now have either received correspondence from HMRC or heard from your Accountant about Making Tax Digital (MTD). If you are one of the many people left wondering if this applies to you or if this is something that you can ignore, then please read on...

Making Tax Digital starts from 1 April 2019 for VAT and it's intention is to "make it easier for individuals and businesses to get their tax right and keep on top of their tax affairs". Income Tax and Corporation Tax has been placed on hold until April 2020 at the very earliest.

VAT registered businesses (other than a very small minority) with a taxable turnover above £85k must keep their records digitally and submit their VAT returns using MTD compliant software for their first VAT period starting on or after 1 April 2019.

The reason for VAT being chosen as the first tax is because VAT registered businesses already report quarterly and to some degree, file electronic returns. It was therefore considered a good place to start.

Despite what you may think, it is not HMRC's intention to burden you further, Making Tax Digital is actually seen as a very positive change. The following are all quoted by HMRC as being among the aims of this new regime:

- ❖ **EFFECTIVE** - reduction of errors – whether by miscalculation or fraudulent activity, errors ultimately are costing the Exchequer dearly.
- ❖ **EFFICIENT** – time saving – for individuals, businesses, accountants and HMRC.
- ❖ **EASIER** – simpler – the new software offerings will aid the recording and filing of returns to HMRC.

You may already be using MTD compliant software and if so, there is very little you now need to do. HMRC are not altering either the nature of the information that you are required to report or the frequency of this information. Deadlines will also remain the same.

HMRC are trying to help businesses and as well as producing a wide range of support services they have confirmed that there will be a "soft landing" phase of one year. The aim of this is to reduce the pressure on businesses and allow them the time to get things right.



Key points of note –

- Making tax digital is mandatory for VAT registered businesses with turnover* above the VAT registration threshold
- Turnover* is based on the 12 months to the date you need to join MTD
- Following the 1st April, the exact date on which you need to join the scheme is set based on your VAT periods
- Once you're in the scheme, you cannot leave unless you de-register for VAT even if your turnover reduces below the threshold
- You can voluntarily join the scheme even if you don't meet the mandatory criteria, in which case you are free to leave at any time and file under the old rules should you wish

- You are responsible for registering for the scheme when you meet the criteria
- Spreadsheets remain acceptable for keeping records, but need to contain specific information and will need to be submitted to HMRC via bridging software
- There are certain digital records / data which need to be recorded, including takings on a daily basis
- If you make manual adjustments to your VAT figures for partial exemption, margin schemes, fuel scale charges or similar, these can mostly be done manually but must be recorded in accordance with the requirements

Orleigh Fox are holding a number of free of charge drop in clinics over the next few weeks and will happily discuss your individual requirements. Please contact us for more information.



[www. orleighfox.co.uk](http://www.orieighfox.co.uk)

email: info@orieighfox.co.uk