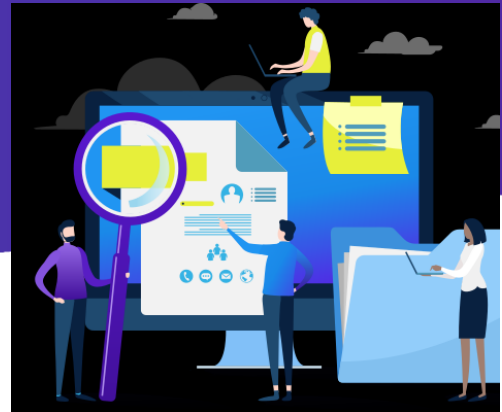


MAKING TAX DIGITAL

17th May 2021



Making Tax Digital (MTD) is being slowly rolled out by the government to include more people so it is important to keep up to date and know the rules.

Those businesses whose UK taxable turnover is above the £85,000 UK VAT-registration threshold will have been following MTD rules since April 2019.

MTD has been extended to cover all UK VAT-registered businesses from 1 April 2022. From April 2023 it will also include most business income tax records.

If you're still getting to grips with MTD, don't worry so are many other businesses! Here's our guide to what you need to know.

What is Making Tax Digital?

Making Tax Digital is a government plan to ensure that every individual and company submit their taxes digitally. Under MTD, HMRC will require electronic reporting on a quarterly basis of your income, expenses and profit and everything will be stored in one place. You will have a confidential Digital Tax Account (DTA) for this.

As mentioned, this has already come into effect for some, and others will need to be compliant by a specific deadline (see below for dates).

What is a Digital Tax Account (DTA)?

Your DTA is your unique HMRC account where you can see all of your tax details. You'll be able to use your DTA to communicate online with HMRC on a confidential basis.

What are the benefits?

The government expects the system to be more efficient and to reduce mistakes and miscalculations, as more of the tax return process is automated. Making Tax Digital is also more environmentally friendly as it reduces the use of paper for filing returns etc.

The benefit to businesses is that it will save them time in completing their returns and in communications with HMRC. For example, if they've made an error on their tax, it can be addressed online rather than on the phone!

As returns need to be submitted at least quarterly, it will make people more aware of their tax situation and be able to plan accordingly.

What does it mean for me?

If you're a VAT-registered business with a taxable turnover below the VAT threshold of £85,000, you'll have to keep digital accounting records and submit VAT returns to HMRC electronically from April 2022. See below for deadlines for other businesses.

If you need to follow the Making Tax Digital rules, you will have to use software which is compatible with HMRC's MTD systems. You will need to submit tax data quarterly.

The government does not provide any free software so it is your responsibility to find a solution for your needs (or you can ask us to help!). Your software must be HMRC-approved.

What are the Making Tax Digital start dates?

It depends on the size/turnover and type of business you have. VAT-registered businesses with a taxable turnover above £85,000 started paying tax under the MTD system in April 2019.

For the rest, the dates are currently as below but could change – it is worth checking on the government website for updates. MTD is mandatory, so you must be compliant before the relevant deadline passes or you could be fined.

- April 2022: VAT-registered businesses with a taxable turnover below £85,000.
- April 2023: Self-employed businesses and landlords with annual income above £10,000.
- 2026: Not confirmed but HMRC have stated MTD for Corporation Tax won't commence until at least 2026.

What do I need to do to get ready?

If you're affected, think about the accounting software package you're using and find out if it's MTD compliant. The major accounting software houses and the cloud accounting providers are preparing for MTD so it's likely they'll conform.

If, however, it's not compliant or you're not using a package at all because you're maintaining your records manually or on a spreadsheet, you'll need to start thinking about converting to an appropriate package soon.

The good news about Excel is that there are some HMRC-approved APIs, which you can download. They can read the relevant data and can then submit the VAT return figures to HMRC.

What are the advantages of using a cloud software package?

Here are two key advantages:

1. Accessible 24-7 wherever you are: you'll be able to manage your accounts, process expenses and raise invoices on the go, which will save you time.
2. Enhanced security: a cloud accounting system will help you to detect fraud more quickly and efficiently. Furthermore, storing data in the cloud can serve as a good backup.

Following the rules when you're exempt

If you're exempt from Making Tax Digital because your taxable turnover is below the VAT registration threshold, you may still choose to follow the Making Tax Digital rules.

To do this, you must tell HMRC that you want to follow the rules by signing up for Making Tax Digital for VAT. Once you sign up, you'll only be able to file your VAT Return digitally, using compatible software.

Checklist to be prepared

1. Keep an eye on Making Tax Digital deadlines.
2. Source HMRC-compliant MTD software that is appropriate for your business needs.
3. Provide your staff with appropriate information about MTD well in advance.
4. [Read more from the government about MTD.](#)

We can help!

If you'd like to have a chat about what Making Tax Digital means for you and receive guidance on how to approach it, do get in touch. We can help you choose a software package and even train you on how to use it!

Alternatively, if you would prefer someone else to take the strain, you can completely outsource your requirements to our bookkeeping and management accounts service. Our team is here to assist you as much or as little as you need.

[CONTACT US](#)