

## **Making Tax Digital**

**You should by now be aware of the Government's push to online tax compliance under the 'Making Tax Digital' (MTD) initiative. We believe this will be the biggest shake up in taxation since the introduction of Self-Assessment over twenty years ago.**

Originally announced back in the 2015 budget by George Osborne, HMRC intends to modernise the UK tax system through the use of digital data. This vision is that all businesses and individuals will supply tax information electronically to their own online Digital Tax Accounts making HMRC one of the most efficient tax authorities in the world. The Digital Tax Account will bring together each taxpayer's details in one place and enable businesses and individuals to interact with HMRC, view their tax affairs in real-time and see a rolling estimation of their tax liability as information is added.

Initially HMRC had hoped this would be a reality by 2020. However, following political and industry pressure and the introduction of Brexit, the roll out has thankfully been slowed down. Now MTD will only be mandatory for VAT registered businesses whose turnover exceeds the registration limit, currently £85,000 per annum. These businesses will have to continue with MTD reporting, even if their turnover falls below the registration limit. These reporting requirements will be voluntary for VAT registered businesses whose turnover is below the registration limit.

And what about other taxes? HMRC is currently saying that MTD will not be extended to other taxes until April 2020 at the earliest, but it is coming, so be prepared!

### **MTD Timescales**

Annual Turnover	Quarterly Reporting	Previous Timetable	New Timetable
Over £85k and VAT Registered	VAT Only	1st April 2019	1st April 2019
Over £85k and NOT VAT Registered	Income Tax and NI	6th April 2018	At least April 2020
£10,000 to £85,000	Income Tax and NI	6th April 2019	At least April 2020
All companies	Corporation Tax	1st April 2020	At least April 2020

So what does this mean for those businesses caught by the new regime? In practical terms it means that your business records will need to be given to HMRC in digital format either through third party software, your existing accounting software or through the use of specially prescribed spreadsheets. This software will record business income and expenses and supply quarterly updates to HMRC via your Digital Tax Account. As agents, Greaves West & Ayre will be helping its clients to meet their obligations, their filing deadlines and ensuring that all reliefs and allowances are correctly claimed. We will also be able to advise on processes and software. At present HMRC's list of software companies on the Gov.uk website providing the required software totals two! However more are likely



to come on-board as this year progresses. Draft legislation is expected in summer 2018 and we will keep you informed of this and any other changes via our website: [greaveswestayre.co.uk](http://greaveswestayre.co.uk)

The reality remains that the Making Tax Digital initiative is not going away. It is estimated that 75% of businesses that will be affected by MTD have done nothing to prepare for it. Any business that currently relies on manual accounting systems or spreadsheets will have to invest in new accounting systems and processes. Our advice is that the sooner you do this the better.

If you would like to discuss MTD and the implications for your business then please contact Greaves West & Ayre's Berwick office on 01289 306688.

*This article is purely for guidance and does not constitute legal advice.*