



MAKING TAX DIGITAL

IS YOUR BUSINESS READY FOR MAKING TAX DIGITAL?

From April 2019, all VAT registered traders will have to report to HMRC under a new digital reporting sequence.

By now, you are likely to have heard of Making Tax Digital (MTD) and also of the delays around its introduction. If you are a business registered for VAT, you should be aware that you are part of the first group to be impacted by this new system.

WHAT IS MTD?

MTD is the new government initiative to deliver a "modern digital tax system" for individuals and businesses. The goal of MTD is to make it easier to understand your tax requirements and keep on top of your tax affairs.

As part of the plans, the introduction of MTD for Business will see all businesses issued with their own digital tax account, with a requirement to report your tax affairs on a quarterly basis. This more frequent reporting will signal the end of the annual tax return.

The government have acknowledged the complexities around the introduction of MTD for Business and, as a result, have agreed to stagger its introduction, with VAT registered businesses being the first to be hit.

WHEN WILL MTD FOR BUSINESS COME INTO FORCE?

All businesses with turnover exceeding the VAT threshold (currently £85,000) will be

required to comply with MTD from April 2019. Smaller businesses are not required to use the system, but can choose to do so voluntarily.

From April 2020 the Self Assessment tax return is being replaced by five new reporting obligations. The first tax return under the new system is due in the fourth month of your accounting period, and you will subsequently have to file with HMRC every three months thereafter.

HOW WILL BUSINESSES BENEFIT FROM MTD?

Through MTD, HMRC will provide businesses with:

- a real-time view of their tax liabilities;
- access to all of the information held by the taxman;
- an end to the Self Assessment tax return.

HMRC also believe the system will help prevent mistakes, forecasting that by 2021/22 the changes will result in a net administrative burden saving of £100m for businesses. However, before the benefits become apparent, the transition phase will be challenging.

Making Tax Digital timetable		
For Income Tax and NIC purposes	Unincorporated businesses (sole traders, property businesses and partnerships) with annual turnover above the VAT threshold of £85,000	6 April 2020 (at the earliest. Date is subject to change)*
For VAT purposes	Incorporated and unincorporated businesses with annual turnover above the VAT threshold of £85,000	6 April 2019
For Corporation Tax purposes	Companies within the charge to Corporation Tax, regardless of turnover	1 April 2020 (at the earliest. Date subject to change)*

*Businesses with turnover below the VAT threshold may choose to enrol voluntarily



Cloud accounting and Making Tax Digital go hand in hand; the real-time accounting information allows straightforward MTD interaction.

HOW CAN YOU PREPARE YOUR BUSINESS FOR DIGITAL REPORTING?

We are taking a proactive approach to ensure that our clients are fully prepared.

Many of our clients are transitioning to cloud accounting before MTD comes into force, which enables you to access your accounting records in real time, thus allowing for more proactive business accounting and planning.

Cloud accounting and MTD go hand in hand; the real-time accounting information allows straightforward MTD interaction.

Our cloud offering and understanding of the MTD requirements, combined with our commercial approach to understanding your situation and business goals, will ensure your business not only has a smooth transition and is compliant with the new regulations, but also that you benefit from our many years' business expertise.

THE NEXT STEP

If you would like to learn more about cloud accounting and the services we provide please visit www.uhy-cloudaccounting.co.uk, call us on **0161 236 6936** or contact one of our experts using the details below:



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