

Making Tax Digital

Your MTD Guide | Rouse Partners | www.rousepartners.co.uk/mtd



Are you
ready for
MTD?

A guide to [Making Tax Digital](#) from the Rouse Partners team

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rouse
Chartered Accountants

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Welcome

Making Tax Digital (or MTD as it is commonly being abbreviated to) is probably the UK's biggest tax shake-up in a generation. If you file a VAT return, you'll soon need to do it in a Making Tax Digital compliant way.

That is because from 1 April 2019 HMRC is moving towards a fully digital based tax system, though you will need to make sure you are ready to go digital ahead of the deadline.

With Brexit at the forefront of many business owners' minds, the almost simultaneous introduction of Making Tax Digital for VAT means that March and April are likely to be a very busy time for businesses. However, we are reminding those who need to comply with Making Tax Digital not to overlook or delay their preparations, so that they have time to make any necessary changes to accounting systems or to implement new processes.

In this summary guide we take a look at the Making Tax Digital requirements, timings and frequently asked questions to help with your planning.

If you have any questions or would like us to assist you with upgrading or changing software provider please contact me or your regular Rouse team members.

Kind regards

David

David Sharp
Partner
For and on behalf of
Rouse Partners LLP



Watch our Making Tax Digital Webcast at www.rousepartners.co.uk/mtd

Steps to becoming compliant



1

Maintain digital records

Businesses will need to use compliant software to maintain their digital records. This means that transactional data (such as the time and value of each supply and the applicable VAT rate) must be stored digitally.

2

Digital links to records

VAT returns must be linked to digital records. HMRC has announced a soft landing period of 12 months for this, however this is very likely to become enforced in the future and we recommend that you prepare now for this.

3

Submit VAT information

At present, most businesses submit their VAT returns through manually inputting them into HMRC's online portal. From April 2019 this portal will close for VAT registered businesses and you will no longer be able to submit VAT returns this way. Instead, all submissions must be made digitally via HMRC's Making Tax Digital API. Please note, that if your taxable turnover is less than £85,000 and you are voluntary VAT registered, you will still be able to use the HMRC online portal as you currently do.



Reviewing your accounting system

You should review your accounting software and whether it will be ready to comply well in advance of the Making Tax Digital deadline. This will ensure that you have time to make any necessary changes.







If you are not using compatible software, using an outdated version or unsupported software you should review upgrading or changing provider.

As well as becoming compliant with Making Tax Digital, this may also be a good opportunity to move to an accounting solution that brings improved efficiencies and gives you a better understanding of how the business is performing throughout the year.

When do you need to be Making Tax Digital ready?

If your VAT period is...	...you must start entering records into digital accounting software by...	...and submit your first MTD return by...
1 April to 30 June	1 April 2019	7 August 2019
1 May to 31 July	1 May 2019	7 September 2019
1 June to 31 August	1 June 2019	7 October 2019

Software options

How are your records stored?	Your options and solutions
 <p>Excel or spreadsheet</p>	<p>You will no longer be able to maintain your records manually by Excel or spreadsheets. If you wish to continue to use spreadsheets they will need to be linked to compatible bridging software that can connect to HMRC systems via an Application Programming Interface (API). Our team has access to a cost-effective bridging software that we can set up for you, so that there are minimal changes to how you currently operate. Please contact us to discuss or arrange this service.</p>
 <p>QuickBooks Desktop</p>	<p>To be Making Tax Digital compliant using QuickBooks desktop you will need an active subscription on the latest supported version (currently QuickBooks 2018) and to install all new updates and upgrades as they become available. If you are on QuickBooks for desktop 2016, 2017 or 2018 you can continue to e-file VAT as usual. All supported versions have been updated to enable customers to e-file VAT in the usual way ahead of May 2019. Please note that if you are on an unsupported version (QuickBooks 2014 and below) you can no longer e-file VAT and you should upgrade to the latest version in order to continue to e-file VAT with HMRC. You will not be Making Tax Digital ready and will not be able to store and submit quarterly VAT information in a digital format. In all cases, QuickBooks are offering upgrade packages to their cloud based software which is Making Tax Digital compliant. Please contact us as we may be able to secure preferential rates for you.</p>
 <p>QuickBooks Online</p>	<p>You are Making Tax Digital ready, and are able to store and submit quarterly VAT information in a digital format. When you must begin entering your records and submitting your first Making Tax Digital return will depend on your VAT period. Please see timetable above.</p>
 <p>Sage – old or unsupported versions</p>	<p>Sage will not be making non-cloud versions older than the current 2018 compliant, if you have a Sage Cover contract in place you will need the MTD module (£300PA) but discuss your needs with us as a subscription may often be cheaper. If you are needing to upgrade your Sage package please contact our team as we are likely to be able to secure preferential rates than purchasing through Sage directly.</p>
 <p>Sage 50c / Cloud Subscription or Sage Business Cloud Accounting / Start</p>	<p>You are Making Tax Digital ready, and are able to store and submit quarterly VAT information in a digital format. When you must begin entering your records and submitting your first Making Tax Digital return will depend on your VAT period. Please see timetable above.</p>
 <p>Xero</p>	<p>You are Making Tax Digital ready, and are able to store and submit quarterly VAT information in a digital format. When you must begin entering your records and submitting your first Making Tax Digital return will depend on your VAT period. Please see timetable above.</p>
<p>Other software or bespoke accounting systems</p>	<p>You should check with the software provider whether your software version has an Application Programming Interface (API) that links to HMRC systems and is ready to comply with Making Tax Digital.</p>



FAQ

Does Making Tax Digital apply to us?

Yes, if you are VAT registered with annual taxable turnover over the £85,000 threshold.

Can I continue to submit my VAT returns via the HMRC gateway?

If you are over the taxable turnover threshold for VAT then the answer is no. After April 2019 VAT returns must be submitted to HMRC via a compatible software communicating digitally via HMRC's API platform, and not by manually entering the VAT return figures onto the HMRC portal as is current practice.

Does it apply for charities?

Charities and subsidiaries of charities will be subject to Making Tax Digital for VAT in exactly the same way as other VAT registered entities.

When is Making Tax Digital starting?

Businesses already registered for VAT will be within the regime from the first VAT return period commencing on or after 1 April 2019. Please see our timeline for filing dates.

What does it mean to 'maintain digital records'?

Under Making Tax Digital, businesses will need to maintain certain records in either software or a spreadsheet. For VAT purposes, there is a specific list of information that will need to be maintained digitally. This includes, amongst other things, the value of each supply made and received, the rate of VAT charged on each supply made, and the VAT that will be re-claimed on each supply received (with some relaxations for retailers and a few others). It will not be necessary to store invoices digitally. Where businesses or groups use a number of pieces of software to prepare one VAT return the records must be

transferred between software programs through digital links (i.e. they must not be copied and pasted, or re-entered manually). However, calculations for items such as partial exemption adjustments, and fuel scale charges, will not need to be captured digitally; these can be prepared separately and manually input into the digital records.

How can we submit information to HMRC?

The most straightforward approach will be for businesses to maintain their records in 'Making Tax Digital Ready', API-enabled software, and then to submit information directly from that software. Alternatively, if your software is not compatible you will be able to use bridging software to link to HMRC's API. Alternatively, you can develop your own PI enabled spreadsheet to link to HMRC, though this may not be a time-efficient option. We have a bridging solution that we can put in place for clients who wish to remain on spreadsheet based accounting systems.

What will happen if we don't comply?

There will be a penalty points system in place and those who do not comply will be liable for penalty fines. We understand that there will be a soft landing period, with further communication expected from HMRC on when this will end when and the financial penalties will apply.

Will Making Tax Digital be expanded in future?

Ultimately, the Government intends for HMRC to collect and process all tax information as close to real time as possible. Therefore, in the longer term they aim to move more businesses and individuals to digital tax accounts. This will also allow them to see all the information that HMRC holds, and keep up-to-date on their tax position throughout the year. However, the Government is keen to assess the success of the first stage with VAT registered businesses, before it widens the audience.



Making Tax Digital Checklist



I have read this Rouse Partners MTD summary guide.



I have checked whether our business will be impacted by MTD .



I am aware when MTD comes into place and when we must make our first submission.



I have assessed whether our accounting system will be Making Tax Digital ready.



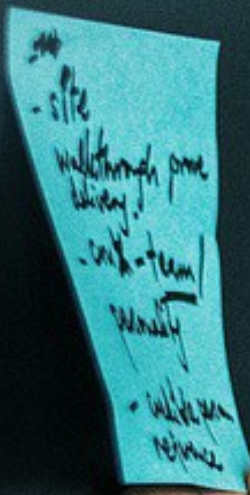
If necessary, I have spoken to our software provider about upgrading (or spoken to the Rouse Partners team to see if preferential rates are available).



If necessary, I have spoken to the Rouse Partners team about the benefits of moving to another software provider and how they can assist with the set up and integrations.



I have planned ahead and made arrangements for any changes that need to be made, so that we will be ready when Making Tax Digital comes into place.





How we can help

Our dedicated bookkeeping and outsourcing team are ready to help ensure that you are able to comply with Making Tax Digital.



As certified and experienced Xero, QuickBooks and Sage users, we can advise and help you set up and integrate these popular systems. In some cases we can secure preferential rates than going direct to these software providers.



If you currently hold your records on a spreadsheet our team has access to a cost-effective bridging software that we can set up for you, so that there are minimal changes to how you operate.



At Rouse Partners, award-winning service comes as standard, and you can enjoy a responsive and fast moving client service, and full range of accounting services.



Our west of London based team are easily accessible by train (25 minutes) to/from Central London and by road with nearby M40 and M25 junctions.

Contact us on 01494 675321 or email info@rousepartners.co.uk to discuss how we can assist and for a no obligation quotation for the services that you need.



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