

Making Tax Digital

Frequently Asked Questions

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frequently asked questions

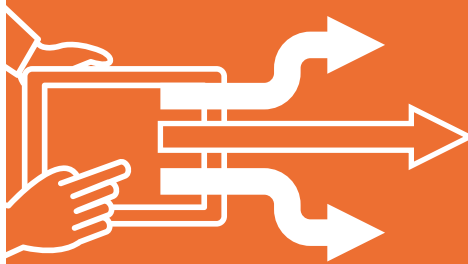
Am I affected?

All UK businesses that are VAT registered and have turnover above the VAT threshold (currently £85,000) are affected. If the business is registered but has turnover below the threshold, they are not affected but they can opt in.



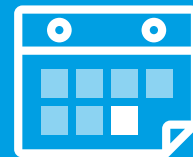
What is MTD for VAT?

There are two main requirements - all affected businesses are required to firstly keep their records digitally and also submit VAT returns to HMRC using MTD-compatible software.



When does it start?

For VAT return periods commencing April 2019. So in practice, if you are submitting quarterly VAT returns, the first return to be affected is likely to be the quarter ended June 2019.



Will I pay more or less VAT?

No, these are simply regulations to digitalise the recording and reporting of VAT return information to HMRC. The VAT rates and ultimately, your VAT liability position has not changed.



Where is this all heading?

MTD is set to modernise the tax system in the UK with the aim of being one of the most digitally advanced tax administrators in the world. Other areas of the tax system such as Income and Corporation Tax are not affected as yet but the Government seem keen to make all businesses digital for all taxes. The Government believes that by making businesses digital, it will reduce the "tax gap" and make it easier for businesses to get their taxes right first time.



What is Digital Record Keeping anyway?

Put very simply, "digital record keeping" under MTD is the requirement to maintain financial information digitally so that summary figures can be reported to HMRC. So, paper records are not enough and must be transferred to a digital system, typically with the use of bookkeeping software.



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I use Software for my bookkeeping – am I OK?

Probably. You need to check with your software supplier, but all major software providers have been working on this for a while and need to have a solution in place. You will however need to ensure that the software is the correct version and it connects directly with HMRC as required.



I don't use software for bookkeeping - should I?

Yes, in the last three years, we have transitioned hundreds of business over to a cloud based bookkeeping platform and believe that it is vital to any business. The feedback is almost always exceptional.

We believe that bookkeeping is firstly a process and as such there is always ways to use new technologies, apps, and cloud add ons to help streamline the day to day processing, making your business run more efficiently, reducing costs in the long run and allowing you to get real time insight into your financial position.



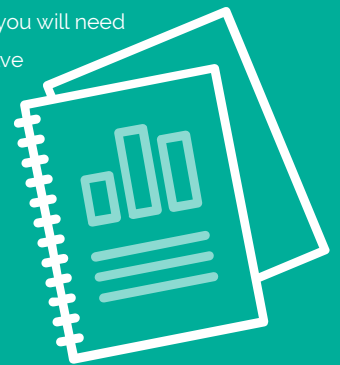
But I still get bits of paper from suppliers and issue paper invoices – how do I digitalise this?

The requirement to keep digital records does not mean that businesses will have to scan and store invoices and receipts digitally (although it is probably best practice to do so). Businesses can continue to keep documents in paper form if they prefer but each individual transaction (not summaries) will need to be recorded and stored digitally. HMRC would like to encourage records to be kept in as near to real time as possible, but it will still be possible to create the digital records at quarterly intervals, using a bookkeeper or other agent if required, provided the information is entered into a digital record keeping system at that stage.



I really don't want to use new software – what can I do?

The legal requirement is still there. It may be possible that you can continue to maintain manual records but in order to be compliant, you will need to engage with us to find a workaround. This may involve the use of a spreadsheet that we can help with and we can then file to HMRC on your behalf. Alternatively, we could use the software and technology we have to digitalise your records as efficiently as possible. We would need to consider this on a case by case basis.



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