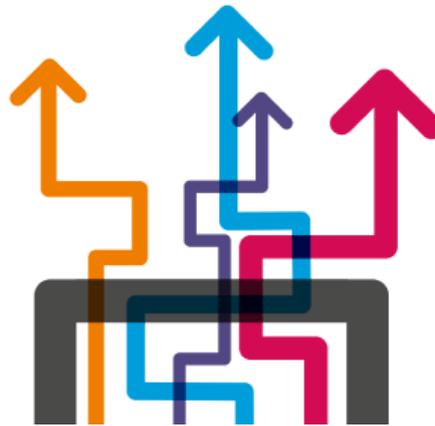# FACTSHEET FOR COMPANIES

WHAT IS MAKING TAX DIGITAL?

Making Tax Digital is the most fundamental change to the administration of the tax system for the last 20 years. Companies will be able to interact with HMRC on a digital basis using Business Tax Accounts (BTA).

All companies will be required to keep electronic accounting records. Information will be reported to HMRC significantly earlier than it currently is. Currently information is reported to HMRC twelve months after the end of the accounting period. Under Making Tax Digital information will be reported to HMRC every quarter.

WHAT ARE THE NEW REQUIREMENTS?

The changes announced to date are:

Paper records will no longer be sufficient – It will be mandatory for all companies to use HMRC compatible software or spreadsheets to keep accounting records. Paper accounting records will cease to meet the requirements of tax law.

Quarterly reporting to HMRC – There will be a requirement to submit updates to HMRC each quarter directly from your accounting software, within one month of the end of each quarter. At the end of each year, the quarterly figures must be finalised and reconciled in an End of Period Statement.

Business Tax Accounts (BTA) – Companies will be able to interact with HMRC on a digital basis using Business Tax Accounts (BTA).

WHEN DOES IT START?

BTAs already exist. They have been around for some time and are already used by over 2 million businesses.

The Making Tax Digital requirements for VAT reporting commence in **April 2019** but only for VAT registered companies with turnover in excess of £85,000. The current VAT reporting system using the HMRC online portal will be withdrawn for these companies. This will mean that those responsible for the company's VAT filing will need to lead the way on choosing Making Tax Digital software.

The government has given an undertaking that the Making Tax Digital quarterly reporting requirements for corporation tax reporting will not be made mandatory until the system is working well and not until **April 2020** at the earliest.

WILL MY COMPANY STILL NEED TO COMPLETE A TAX RETURN EVERY YEAR?

Yes. However, this will not be in the current format. The current company tax return form CT600 will be replaced with the BTA. The BTA will be pre-populated by HMRC using information that it receives from your quarterly reporting . We expect that additional information will be required to be input into the BTA as it is unlikely to be complete.

In practice the new system appears little different from the current tax return process and so you may still want Rostrons to ensure that the information is complete and that all tax allowances and exemptions are being properly claimed in order to reduce your tax bill.

WHAT DO I NEED TO DO NOW?

Don't panic.

Rostrons are "on the case" and are here to make sure that you will be compliant with Making Tax Digital.

We can assist as much, or as little, as you would like.

We can help with:

- Setting up your BTA
- Review of your current records and advising on compliance with Making Tax Digital
- Help you to choose and implement a new software package to comply with Making Tax Digital
- We can take over your bookkeeping and use our own Making Tax Digital compliant software
- Rostrons can make the quarterly digital updates to HMRC
- Rostrons can perform a review of the quarterly information before it is sent to HMRC

- Preparing your annual accounts and tax computations and filing these with HMRC under the current system
- Updating your Business Tax Account under the new system - just like we currently do with your company tax return.
- Keeping you up to date with new developments on the HMRC Making Tax Digital timetable so that you are forewarned and feel in control of what is happening,

If you would like to discuss this in more detail, please call 01603 619166.

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This is our interpretation of information provided by HMRC so far. To date nothing has been written in to law and we do expect that the current proposals will be subject to change both in terms of timings and requirements.