

Making tax digital



FACTSHEET FOR SOLE TRADERS, PARTNERSHIPS AND LANDLORDS

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. Taxpayers will be able to interact with HMRC on a digital basis using Business Tax Accounts (BTA) and Personal Tax Accounts (PTA).

Businesses, which includes landlords, will be required to keep electronic accounting records. Under Making Tax Digital, your accounting information will be reported to HMRC every quarter and not twelve months after the end of the accounting period as is current practice.

WHAT ARE THE NEW REQUIREMENTS?

The changes announced to date are:

Paper records will no longer be sufficient – It will be mandatory for the self-employed, partnerships and landlords 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. The information reported will be disclosed in your BTA. At the end of each year the quarterly figures must be finalised and reconciled in an End of Period Statement.

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 businesses with turnover in excess of £85,000. The current VAT reporting system using the HMRC online portal will then be withdrawn for these businesses.

Businesses with turnover below £85,000 who have registered voluntarily for VAT will not be required to comply with Making Tax Digital requirements but can do so voluntarily. These businesses will be able to continue to use HMRC's online portal.

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

WILL I STILL NEED TO COMPLETE A PERSONAL TAX RETURN EVERY YEAR?

Yes. However, this will not be in the current format. The last Individual self assessment tax return in the current format is expected to be for the tax year 2018/19.

This will be replaced with a digital PTA. In practice this will be little different from the current tax return process and you may wish 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.

If, like most landlords and businesses, you will need some assistance with Making Tax Digital, we can help you all the way through the process. We can assist as much, or as little, as needed.

We can assist with:

- Setting up your PTA and 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.
- Preparing and submitting your personal tax returns under the current system
- Updating your PTA under the new system - just like we currently do with your 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 us on 01603 619166 .

Disclaimer

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.