



# Making Tax Digital

How and When Will It Affect You?

---



# Making Tax Digital

## How and When Will It Affect You?

### Individual taxpayers

We've been submitting personal tax information securely online to HM Revenue and Customs (HMRC) for many years now and from April 2017, every individual and business in the UK has a digital tax account. If you have chosen us to look after your personal and/or your business's tax affairs then managing this account is another part of the tax service we provide for you.

### How HMRC receive information currently

Information about your personal and your business's tax affairs arrive with HMRC in various ways. An example would be information on an employed person's weekly or monthly wage or a pensioner's pension payments which comes directly to HMRC from the employer's payroll submissions or in the case of the state pension, from the Department for Works and Pensions (DWP).

## Self-Assessment Tax Returns

Businesses and many individuals complete an annual Tax Return called a Self-Assessment, which is needed to substantiate the information from the third parties and the information submitted by the individual, or from us as your accountant. Some examples would be year-end accounts, rental income and expenses, income from investments and sale of assets.

**Note:** The biggest change is that paper records will no longer be acceptable under tax law. Digital records and digital filing of quarterly reports, together with a year-end statement, will become mandatory for many taxpayers.

## Some big changes are happening

HMRC want to rely more heavily on third party information via the digital tax accounts, and less on the end of year Self-Assessment Tax Returns. They want to collect this information in real time, with the ultimate intention

of abolishing Self-Assessment Tax Returns for many individuals.

The biggest change is that paper records will no longer be acceptable under tax law. Digital records and digital filing of quarterly reports, together with a year-end statement, will become mandatory for many taxpayers.

As HMRC move forward with modernising the whole tax system, the changes being made will impact on you. Because of this, we want to let you know what's happening and the timetable for the changes over the coming months and years.

# Making Tax Digital for Business

## Which businesses will be affected?

There are expected to be around 1.6 million companies, 2.4 million self-employed individuals (including partnerships) and 900,000 landlords of residential properties affected by the changes to the way information is reported.

## Who's exempt?

Individuals, businesses and landlords of residential properties where the gross income is less than £10,000 will be exempt. Also exempt are those who are not able to engage digitally for religious reasons, or due to a factor such as age, disability or location (e.g. no availability of broadband).

## What will you have to do?

As a business or individual approaches their Making Tax Digital for Business (MTDfB) entry date, they will be required to start keeping digital records and provide quarterly updates of income and expenses to HMRC via a dedicated online system, which will mean using software specifically designed for this purpose.

After the end of the fourth quarter, a year-end statement will be required, which pulls together all of the submissions made, gives the opportunity to make any final adjustments and pulls in any gains from the sales of residential properties, if applicable.

## Who's first?

Businesses with a turnover above the VAT registration threshold applicable on 1st April 2019 will be the first to be affected by MTDfB. The threshold for VAT has not yet been set for 1st April 2019 but we are working with the current threshold of £85,000 until it is known.

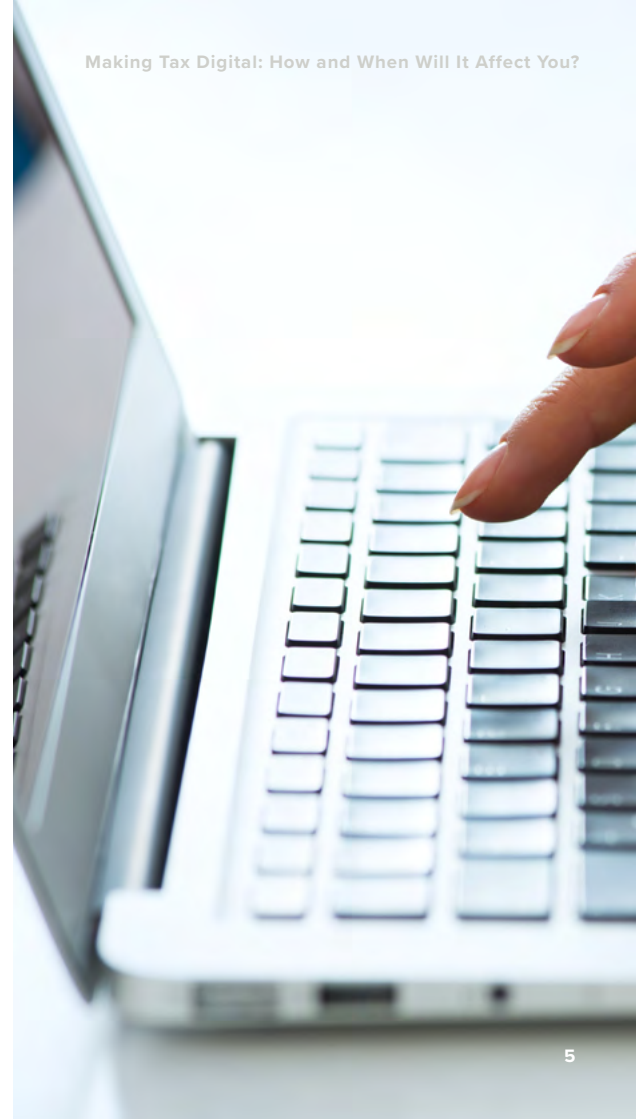
These businesses must submit VAT returns under the new regime from the first quarter beginning on or after 1st April 2019.

## Who's next?

The scope of MTDfB will not be widened to include any other taxes (including corporation tax, landlords and self-employed for Self Assessment) until April 2020 at the earliest. HMRC has yet to set a definitive start date for these.

“

**BUSINESSES WILL BE  
REQUIRED TO START KEEPING  
DIGITAL RECORDS AND  
PROVIDE QUARTERLY UPDATES  
OF INCOME AND EXPENSES  
TO HMRC VIA A DEDICATED  
ONLINE SYSTEM**



## **Moving your MTDfB entry date**

HMRC have put in place rules which prevent a change of accounting date to move the MTDfB start date if the purpose of doing this is to avoid MTDfB obligations. This rule took effect from 6th April 2018. If there are sound commercial reasons for moving an accounting date during the 2018/19 tax year then there is no legislation in place currently to prevent this.

## **Property Businesses**

It is the current understanding that property businesses will make MTDfB statements on a quarterly basis for the business as a whole, rather than by individual property. The addresses of each property let will be required to be reported, but the gains on sales will only need to be reported on the year-end statement.

## **VAT**

All businesses, incorporated and unincorporated, fall within the scope of MTDfB for the reporting of their VAT transactions from 1st April 2019.

## **Pilot**

HMRC are running a pilot scheme for businesses who wish to enter and ensure their procedures are working well prior to their official entry date. If you feel it is beneficial to be part of the pilot, please speak to us.

## **Penalties**

There will be a soft landing for the first 12 months from the entry to MTDfB for the country to become familiar with the new tax system. Thereafter the government are currently consulting on the penalty regime it will implement as sanctions for none compliance and for late submissions of quarterly and annual statements.

## **Paying your tax liabilities**

The new tax system does not change the dates on which tax liabilities are due to be paid.



# We are here to help

## Individual taxpayers

If your business is comfortable with technology and you regularly file your payroll, automatic enrolment and VAT submission online then you may simply want a discussion on your obligations and procedures to ensure you are compliant.

Other small businesses and landlords with residential properties may require more support, or for us to deal with all of the MTDfB submissions for you.

Whatever your support need, or if you want to discuss your entry date or join the pilot scheme, then please speak to us.

**Disclaimer:** This MTD factsheet is provided for clients of accountants and has been written for general interest. No responsibility for loss occasioned to any person acting or refraining from action as a result of the information outlined in this edition is accepted by the authors, ProActivTax, or any associated business. In all cases appropriate advice should be sought before making a decision. The content is correct as at 16 May 2018.



**London Office**  
81 Rivington Street  
Shoreditch  
London  
EC2A 3AY

t: 0207 979 2000

**Dartford Office**  
Regus House  
Victory way, Admirals Park  
Dartford  
DA2 6QD

t: 0132 247 0753

e: [info@highwoodsandassociates.co.uk](mailto:info@highwoodsandassociates.co.uk)

[www.highwoodsandassociates.co.uk](http://www.highwoodsandassociates.co.uk)