

Making tax digital

What does it really mean for business?

BACK GROUND ON MTD

From 1 April 2019 (although for some organisations their date is deferred until 1 October 2019), it will be mandatory to keep VAT records in a digital format, and to file VAT return information with HMRC using a digital link in “functional compatible software”. Under the MTD requirements, you will no longer be allowed to submit the VAT return figures manually to HMRC. MTD applies to all VAT registered organisations who make taxable supplies exceeding £85,000 per annum. There are very limited exclusions, based on things like disability, remoteness of location, age, etc., but in reality it is likely that only very few people will be allowed to be excluded from MTD. It can also apply to overseas organisations if they are registered for VAT in the UK.

WHAT EFFECT WILL MTD HAVE ON A BUSINESS?

After MTD is introduced for VAT, it will then apply to income tax from 2020 and corporation tax on, or shortly after this date.

WHO WILL BE ALLOWED TO DEFER THEIR COMPLIANCE WITH MTD REQUIREMENTS?

- Trusts
- Not for Profit organisations that are not set up as a company
- VAT Divisions
- VAT Groups
- Certain public bodies
- Organisations based overseas
- Organisations using annual accounting or make payments on account.

WHAT PRACTICAL THINGS SHOULD BUSINESSES BE DOING NOW?

On a practical level, you should be looking to do the following:

- Contact your accounting software provider, and establish are they or will they have compatible software by the introduction date of April 2019?
- Review how the VAT accounting being carried out currently, and how much manual intervention takes place?
- Assess whether the current VAT accounting is compliant and efficient: take the opportunity to refresh your VAT affairs and processes;
- Identify the staff in your organisation who are involved in VAT accounting and preparation of



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the returns and engage with them now to increase understanding and awareness;

- Understand how you can maximise the value of using a cloud based digital accounting system and make it bespoke to your day to day business operations;
- Draw up a timeline and prepare for the migration process.

Kingston Smith is accredited and works in partnership with the leading MTD compliant cloud software providers. We can help you to manage the change and make the right decisions for your organisation, using this as an opportunity to make the most out of these compliance changes. Unlocking real time data and insight on your organisations performance, available on mobile apps, whilst you're on the go. We are keeping up to date and assessing the full impact of the changes and the practical steps that are necessary for ensuring a successful migration to MTD for VAT, as well as preparing organisations for the future and how the MTD regime will apply to the other taxes. Visit our website for details of seminars on the practical solutions that we can offer to businesses.