

MAKING TAX DIGITAL GUIDE



BUSINESS & TAX ADVISERS
RAWLINSONS
CHARTERED ACCOUNTANTS



INTRODUCTION

In every walk of life, people are embracing the digital revolution and the tax system is no exception.

Making Tax Digital (MTD) was first announced in the March 2015 Budget, as part of the government's plan to modernise the tax system, and make it easier for businesses and individuals to deal with their tax affairs.

This will result in the end of the annual tax return, transforming tax administration so it is more effective, more efficient and easier for taxpayers.

Instead, taxpayers and their agent's will have access to information which HMRC hold on their behalf (via the 'digital tax account'), and will need to confirm and/or provide certain data to HMRC digitally.

Some of this information may also have to be reported on a quarterly basis to HMRC.



FOUNDATIONS OF MAKING TAX DIGITAL

There are four foundations on which MTD is based around:

BETTER USE OF INFORMATION

Digital tax accounts will mean that users will be able to see information HMRC already hold, and as a result HMRC will not ask you to provide information which it already has or can obtain.

TAX IN REAL TIME

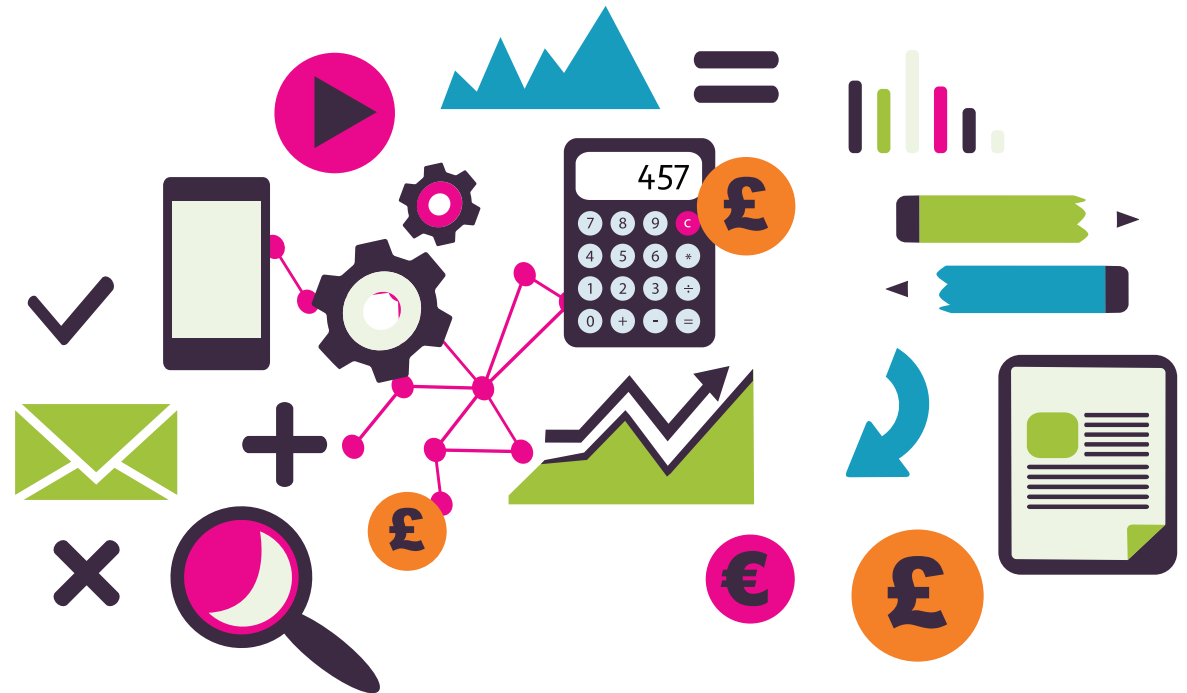
HMRC will try to collect data in real time and therefore be able to provide you with an up-to-date tax position during the year, as opposed to waiting until the end of the tax year.

A SINGLE FINANCIAL ACCOUNT

By 2020, HMRC aim to provide users with a single picture of the liabilities and entitlements all in one place. This place will be the digital tax account.

INTERACTING DIGITALLY WITH CUSTOMERS

Customers and agents will be able to deal with HMRC digitally. This will be via the digital tax account, as well as other record keeping software which will be linked directly to HMRC, allowing users to send information directly from their software, at a time to suit them.

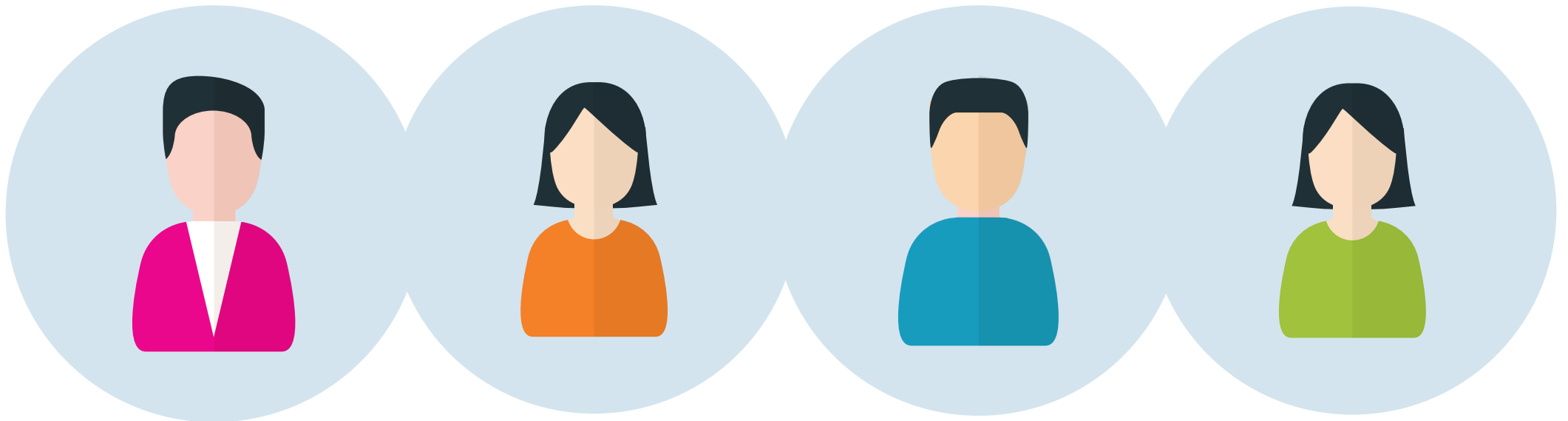


WHO DOES IT APPLY TO?

Keeping digital records and updating HMRC quarterly will apply to all businesses, self-employed persons and landlords with turnover in excess of the VAT threshold. Smaller businesses will be able to use the digital system on a voluntary basis if they wish.

Also, under current proposals, there will be exemptions from the reporting requirements from Charities and Community Amateur Sports Clubs (CASC's).

For individuals who currently complete self-assessment tax returns, these returns will eventually be removed, and taxpayers will be required to check, confirm and correct information held on their digital tax account.

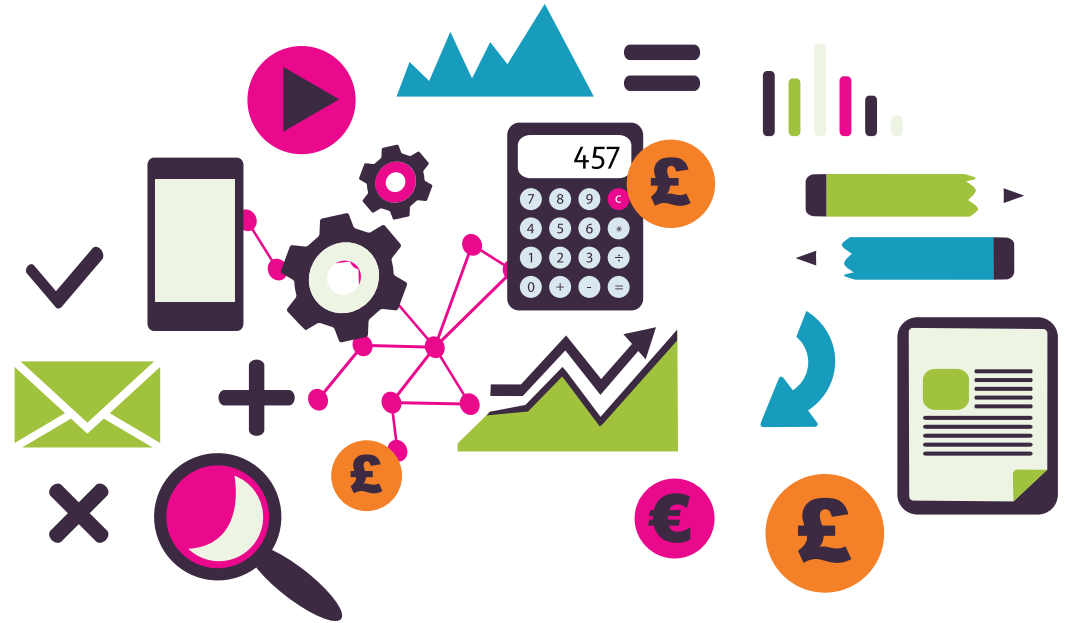


HOW WILL IT WORK?

QUARTERLY UPDATES

Summary details of income and expenses will need submitted to HMRC at no more than quarterly intervals. For those who complete VAT returns, it is intended that the submissions can be aligned.

There will also be a separate end of year activity update which is used to deal with any necessary accounting and tax adjustments.



VOLUNTARY PAY-AS-YOU-GO

There is the option for customers to pay their tax on a pay-as-you-go basis, which will be based on the quarterly figures submitted to HMRC.

Aside from this, there will be no changes to tax payment deadlines, at least for the time being!

DIGITAL RECORD KEEPING

HMRC are introducing the requirement to keep digital records. This will normally be via specific software, which will link directly with HMRC for the purpose of submitting the data to them.

Whilst this may include spreadsheets, there will be no method of uploading or sending data to HMRC directly from spreadsheets, and as such, any data will need to be fed through other software linked with HMRC.

ONLINE ACCOUNTING

Here at Rawlinsons we've adopted a pro-active approach and developed a Rawlinsons Connect team who are busy ensuring that businesses are ready for the changes by introducing cloud accounting software.

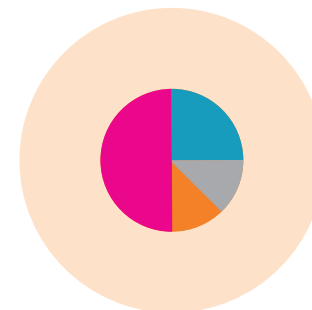
We have a number of Pro Advisor QuickBooks specialists as well as certified Xero advisors within our team happy to help businesses set up cloud based software to allow business owners to control their finances whilst on the move.

The Connect team regularly review current systems that our clients have in place to best ensure they are as efficient as possible, by utilising the ever changing technology that can be linked directly into the accounts system.

Rawlinsons Connect offer a variety of service levels depending on the clients' needs, whether it is set up only or whether you'd like us to take the bookkeeping function in house.

Please visit the Rawlinsons Connect website for further details on the packages we offer www.rawlinsonsconnect.co.uk

Or for any discussion in relation to our online accountancy services please contact Luke Quince at luke.quince@rawlinsons.co.uk who will be happy to help.





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How can we help you today?

For Making Tax Digital queries please contact Craig Tolliday on 01733 568321 | craig.tolliday@rawlinsons.co.uk

For Online Accountancy queries please contact Luke Quince on 01733 568321 | luke.quince@rawlinsons.co.uk

Peterborough Office:

Ruthlyn House
90 Lincoln Road
Peterborough
PE1 2SP

T: 01733 568321

Cambridge Office:

2 Hazlewell Court
Bar Road
Cambridge
CB23 8DS

T: 01223 237027

London Office:

Central Working Farringdon
86-88 Clerkenwell Rd
London
EC1M 5RJ

T: 01733 568321

E: info@rawlinsons.co.uk

www.rawlinsons.co.uk



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