



Making Tax Digital - Small businesses and landlords

Individuals, partnerships, sole traders, and landlords will be the first to join HMRC's brave new digital world in 2018. This will revolutionise the way many businesses keep their books and accounts. It is HMRC's hope that by 2020 the tax return as we know it will have been entirely abolished.

All individuals and small businesses will have access to digital tax accounts, with the information HMRC needs already automatically upload. HMRC believe that you should never have to tell them of information they already have and therefore under and over payments should be reduced. Digital accounts will give you a single, personalised view of your tax position across all liabilities and entitlements.

From April 2018, all but the very smallest of unincorporated businesses and landlords (the initial exemption limit is yet to be confirmed) will be required by law to keep their records on accounts software. Many people already do that -- but there will be an additional requirement in that, the software must be capable of sending information to HMRC every three months. At present, there is no software on the market capable of doing that, but we know that the major software developers such as QuickBooks and Sage are working on it.

HMRC call this project "Making Tax Digital" (MTD). The idea is that everyone will use MTD-compatible software, to record all their business transactions. Every three months, the software will ("at the push of a button") send the data to HMRC. These three monthly uploads will not be accounts as such, and will not include such things as stock valuations or tax adjustments. Businesses and landlords will have 10 months after their year end to make any tax and accounting adjustments required to calculate their tax payable.

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While information will be submitted quarterly to HMRC there is no intention at present to make the payment of tax quarterly. The payments date of 31 January, and 31 July if payments on account are required will remain. Taxpayers can, however, make more frequent payments if they chose on a voluntary pay-asyou-go basis. HMRC are currently looking at various incentives to encourage PAYG payments of tax.

VAT returns are of course already submitted quarterly, and HMRC is looking at whether the VAT return will be combined with the quarterly MTD submission.

MTD will be a massive change for all taxpayers, but particularly so for those who have always kept their records manually (or on computer spreadsheets), and give their records to their accountant once a year. After April 2018, everyone will be required to use accounting software of some sort, and keep records in real time. In fact, many businesses are doing this already, and finding it easier than they first thought! Cloudbased systems also offer the advantage of allowing the accountant to 'log in' to review how things are going through the year. And it is surprisingly inexpensive. HMRC have also promised that free software will be available for smaller businesses.

MTD is also a huge project for HMRC and they have consulted widely on this. There are lots of questions to be answered once the legislation has been published in the 2017 Finance Bill. MTD is coming, so do watch this space for further information and feel free to speak to us about the implications.



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