



Making Tax Digital and digestible for small businesses

Jo Tomlinson



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Today's speaker



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Agenda

What is Making Tax Digital

Who is affected

When will it come into effect

How do I comply

What do I do next



HM Revenue
& Customs

What is Making Tax Digital?

- An overhaul of the UK VAT system which replaces the manual process with a digital one
 - Requirement to keep records in digital form
 - Requirement to file VAT Returns using software via HMRC's API(Application Programming Interface)

What isn't affected?

1. The frequency with which you are required to file VAT returns
2. Basic rules around what VAT is charged on
3. What VAT you can reclaim
4. The VAT compulsory registration rules and threshold
5. Rules around VAT schemes

Why is it being introduced?

- To save time
- To help you to file accurate returns
 - Reducing errors
 - Cut risk of penalties



Who is affected?

- Gradual roll out of making tax digital – starting with VAT
- If your business is VAT registered and has taxable turnover above the VAT threshold (currently £85k)
 - Unless you meet the exemption criteria

Who is affected? Cont.

- If your taxable turnover is under the VAT threshold (currently £85k)
- You will need to comply with MTD rules from the first VAT return you submit after you breach the threshold from 1st April 2019
- Note – 12 months rolling, not calendar or financial year

Who is exempt?

Businesses who are already exempt from filing their vat returns electronically

- Religious society whose beliefs prevent them using computers
- You are subject to insolvency procedure
- It is not reasonably practicable for you to use digital tools to keep your business records or submit your return:
 - Age
 - Disability
 - Remoteness
- You can still choose to follow MTD rules

When will it come into effect?

- Your first VAT period starting on or after 1st April 2019
- Over 96% of businesses affected by MTD fall into this category



Around 3.5% of businesses can wait until 1 October

- Trusts
- 'Not for profit' organisations that are not set up as a company
- VAT divisions
- VAT groups
- Government departments
- NHS Trusts
- Local authorities
- Public corporations
- Traders based overseas
- Those required to make payment on account
- Annual accounting scheme users

Example 1

- You are VAT registered
- Your taxable turnover is already over the VAT threshold of £85k
- Your next VAT quarter is 1 March – 31 May 2019
- You will need to comply with MTD rules for the period starting after 1 June 2019



Example 2

- You are VAT registered
- Your taxable turnover currently below the VAT threshold of £85k
- Your taxable turnover will exceed £85k in the rolling 12 months to Oct 2019
- You will need to comply with MTD rules from your next VAT quarter falling on or after 1st Nov 2019



Example 3

- You are **not** VAT registered
- Your taxable turnover will exceed £85k in the rolling 12 months to Oct 2019
- You will be required to register for VAT from 1st Nov 2019
- You will need to comply with MTD rules from the date you are required to register for VAT



De-registration from VAT?

Once you breach the £85k threshold you will always be required to follow MTD rules, unless you de-register from VAT



How do you comply?

- Keeping and preserving VAT records in a digital form
- Filing VAT returns (quarterly or monthly) using HMRC recognized software for MTD



What records must be kept digitally in order to comply with MTD for VAT?

- Business name and contact details
- VAT number & scheme used
- Adjustments
- VAT on supplies made & received
- Time of supply or receipt
- Net value (excluding VAT)
- Rate of VAT charged or that you will claim back
- Daily Gross Takings (DGT) – retail scheme users only
- Value of sales made under Gold Accounting Scheme (if applicable)
- Total output tax on purchases under Gold Accounting Scheme

What records can be kept digitally but are not an HMRC requirement?

- Supplies not included on your VAT return
- Physical records/evidence related to VAT transactions (eg. receipts and invoices) Itemisation, where supplies involve multiple quantities or VAT schemes
- Reverse-charge transactions
- Corrections
- Purchase details (this is an option for flat rate scheme users only, and not if they're capital expenditure items)
- Documentation or calculations related to margin scheme entries

How do I keep digital records?



HM Revenue
& Customs

- A spreadsheet is fine
- **BUT** - you'll still need to link it with other software in order to file your details with HMRC (see below).
- If you'd rather keep things simple and do everything in one place, we recommend using HMRC-recognised software.



HMRC recognised software

- HMRC have officially recognised a range of software providers supporting Making Tax Digital for VAT.
- Intuit QuickBooks is one of them.
- Functionality is not the same with all software providers



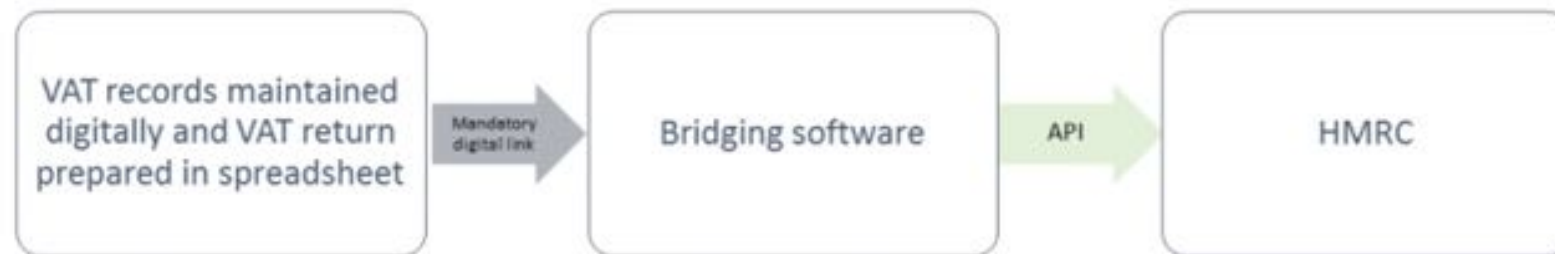
QuickBooks updated MTD software:

- Records your finances digitally
- Links your business and VAT information to all your transactions
- Compiles your VAT Data from the transactions stored in QuickBooks
- Calculates the VAT you owe, and reminds you when your VAT return is due
- Supplies your VAT data directly to HMRC

How do I get my spreadsheet data into HMRC-recognized MTD software?

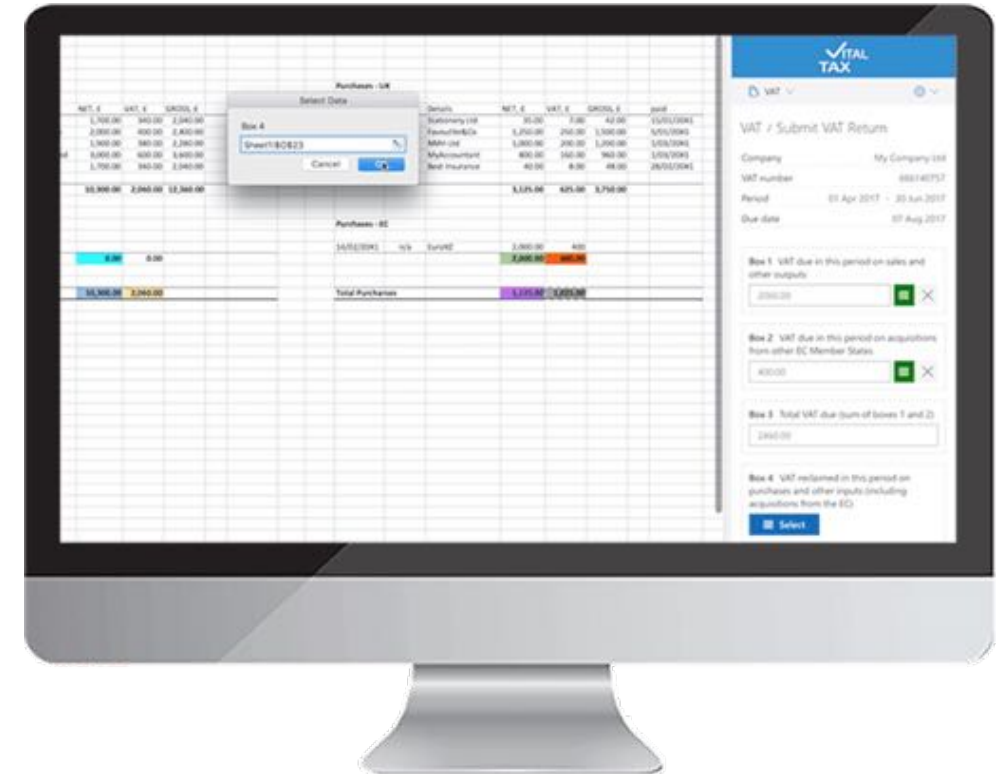
The final values for the VAT must be imported into HMRC-recognized MTD-compliant software using something called
‘bridging software’

QuickBooks software includes a bridging option



Bridging software?

- A digital tool that is used to connect accounting software to HMRC systems, and allows the required VAT information to be reported digitally to HMRC, and for information to be sent digitally back to the business from HMRC”



Bridging software can also be used where

- You have a complex VAT scheme which requires a calculation to be made outside the accounting software:
 - Partial exemption
 - TOMS
 - etc
- You are the member of a VAT Group
- You use accounting software that is not compliant with MTD, but is critical within your business

How do I get my spreadsheet data into HMRC-recognized MTD software?

“Once data has been entered into software used to keep and maintain digital records, and further transfer, recapture or modification of that data must be done using digital links”

Not allowed – manual copying of data, copy/cut and paste

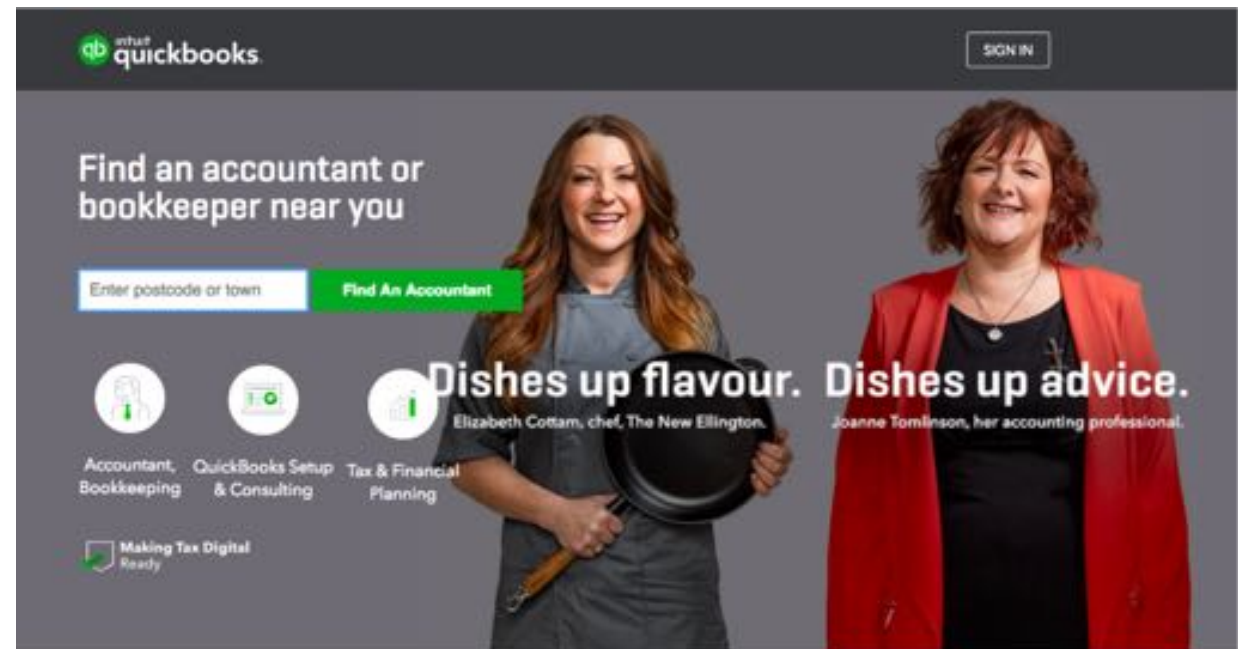
Allowed –

- Emailing a spreadsheet containing digital records ready to be imported into software
- Storing/sharing digital records on a memory stick/device ready to be imported into software
- XML, CSV imports and exports of records to MTD software

Can I leave all this to my Accountant?

Yes – you can authorize your accountant or bookkeeper to act on your behalf for MTD

- Make sure you are both using the same accounting software
- Make sure your accountant has registered to submit VAT under MTD rules on behalf of their clients



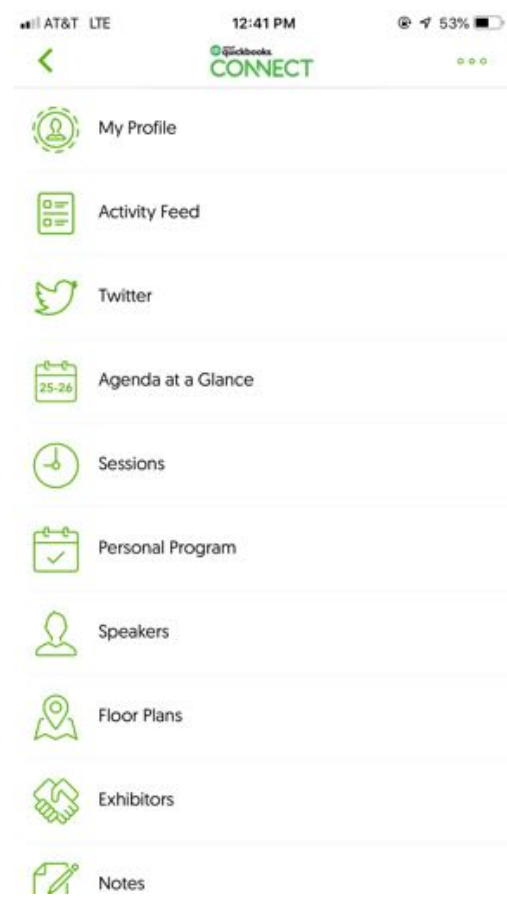
What do I do now?

1. Check if you need to comply with MTD (remember to keep checking if your taxable turnover isn't yet over £85K)
2. Register for a government gateway account (if you don't already have one)
3. If you already have a government gateway account – register for MTD (DD needs 15 days to transfer)
4. Choose your software

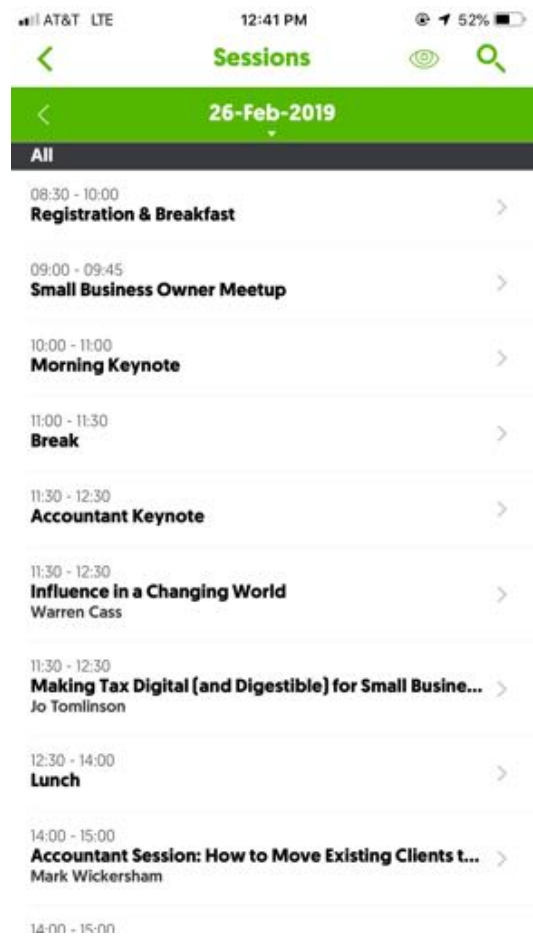
Questions?

Rate this session

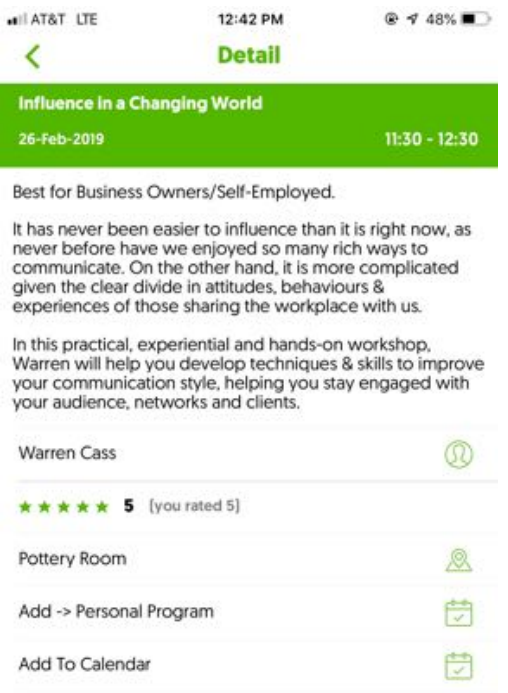
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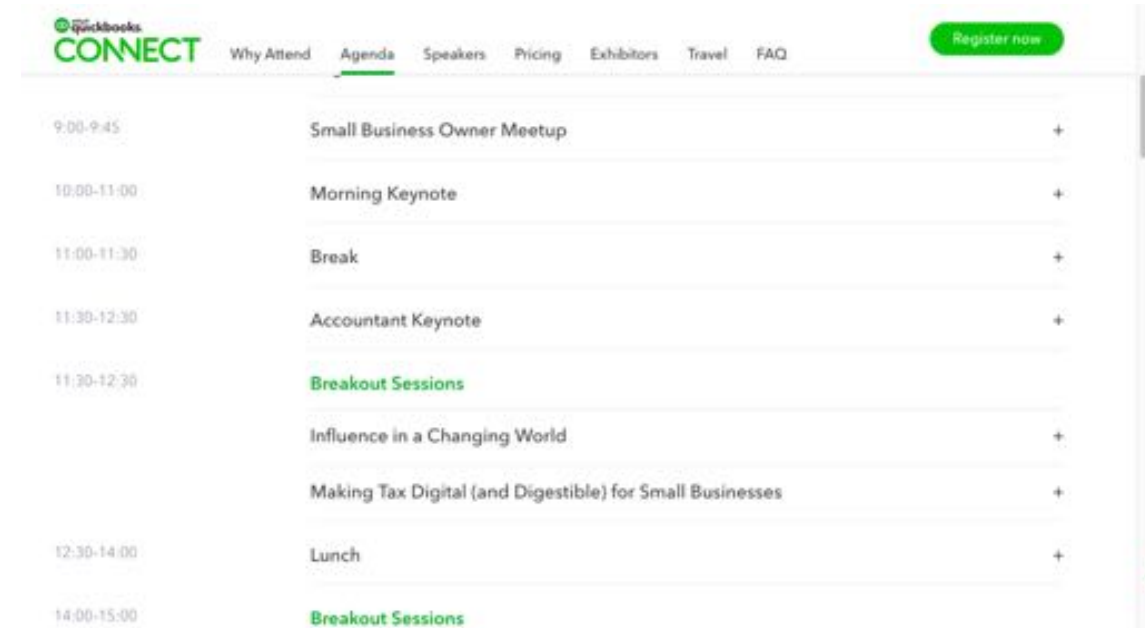


Material Download

Session slides can be found on the QuickBooks Connect agenda page

- 1) Find the session on the agenda
- 2) Select + for more information
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<https://uk.quickbooksconnect.com/agenda/>

A screenshot of the QuickBooks Connect agenda page. The page has a green header with the 'qb intuit quickbooks. CONNECT' logo on the left and a 'Register now' button on the right. Navigation links include 'Why Attend', 'Agenda' (which is underlined), 'Speakers', 'Pricing', 'Exhibitors', 'Travel', and 'FAQ'. The agenda is presented as a table with time slots on the left and session titles on the right. Each session title has a '+' icon to its right, indicating a dropdown menu for more information. The sessions listed are: 9:00-9:45 Small Business Owner Meetup; 10:00-11:00 Morning Keynote; 11:00-11:30 Break; 11:30-12:30 Accountant Keynote; 11:30-12:30 Breakout Sessions (highlighted in green); 12:30-14:00 Lunch; and 14:00-15:00 Breakout Sessions (highlighted in green).

Time	Session	Action
9:00-9:45	Small Business Owner Meetup	+
10:00-11:00	Morning Keynote	+
11:00-11:30	Break	+
11:30-12:30	Accountant Keynote	+
11:30-12:30	Breakout Sessions	
	Influence in a Changing World	+
	Making Tax Digital (and Digestible) for Small Businesses	+
12:30-14:00	Lunch	+
14:00-15:00	Breakout Sessions	



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