

Making Tax Digital ... on hold for new Parliament



Catherine Hubbard
Tax Manager
01284 752313
catherinehubbard@whitingandpartners.co.uk

Many believe that the Making Tax Digital programme is dead. The reality is that MTD has merely been shelved until the new government gets settled on the House of Commons' benches.

The Prime Minister's unexpected call for a 'snap election' required the re-ordering of parliamentary business which included the withdrawal of much of the Finance Bill, reducing it from 762 pages to less than 150 pages. This was a technical solution which allowed the Bill to be passed into law before the General Election and we anticipate that most of the clauses will be re-instated when Parliament resumes normal activities later this year.

So, Making Tax Digital is far from moribund and is already underway for many as we face up to the, Treasury-driven, biggest overhaul in the history of the UK's taxation structure on the way to creating a modern, state-of-art, digitised system.

In the following pages, we will take you through the proposed timelines for larger business and corporates to help you answer the question – 'MTD are you ready?'

MTD – VAT

Businesses, including Corporates, will need to start making their VAT submissions through MTD rather than HMRC's portal from April 2019. We believe that the information to be submitted will initially adhere to the current format but this has been left open to amendment in the future. HMRC have confirmed that businesses will be able to align their VAT and Income Tax quarterly periods so that simultaneous submissions can be made. We assume that the same will apply to Corporation Tax although this is yet to be confirmed.



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Business Advisers

MTD – Timeline

Several million taxpayers have already received notification that their new ‘Personal Tax Account’ has already been activated. MTD for many Sole Trader and Partnership businesses, including landlords, is due to start from April 2018. Despite pressure to ease the timescale for the introduction HM Revenue & Customs has been highly resistant to any easing of its proposed timeline.

HMRC itself, trade unions and accountants have been publicising widely that MTD for corporates is not due to begin until April 2020. We have not yet even had the full consultation documentations. However, it is reasonable to assume that it will follow closely

the MTD for businesses framework, with quarterly real-time reporting of transactions over a year-long period and a requirement for the use of an electronic accounting package.

What has not been highlighted and seems to have travelled below the radar to be missed by many is that countless Corporates will in fact start their MTD journey a whole year earlier, from April 2019. This is the date HMRC is slamming shut the current electronic gateway and from then on VAT submissions will have to be processed via MTD. Sadly, the detail of how this will work is lacking at present.

Whiting & Partners believes that the introduction of MTD has emphasised the need for many of our clients to either make an initial purchase of accounting software or upgrade their current subscription to a program that works for them and their business.

Feedback from many of our clients who have reviewed the latest and most up-to-date software programmes has been very positive. Many have commented that the software could have wider benefits for their businesses than just to comply with legislative requirements!

MTD – Software Requirements



Megan Evans
Anglian Cloud Accounting
 03333 445775
 meganevans@angliancloud.co.uk

Although HMRC has yet to clarify precisely what information it will require on a quarterly basis from companies, the software houses are talking to the taxman and are developing new products to meet HMRC’s system requirements so allowing direct submission of information.

Historically, we have prepared for each of our corporate clients their Corporation

Tax returns and submitted these to HM Revenue & Customs on their behalf. It is assumed that, as with Sole Traders and Partnerships, companies will be required to put forward annual returns aggregating the quarterly returns. It appears that tax liabilities will continue to be based on the annual submission.

We can therefore only speculate on what the quarterly submissions will be used for. HMRC is focused on identifying misleading statements of income and a suggestion is that quarterly data is likely to be used to identify potential cases for enquiry, one assumes by their analysis and comparison by algorithms within the HMRC’s own software. We are recommending that our Sole Trader and Partnership clients should have their quarterly submissions previewed by Whiting & Partners and that process

seems equally valid for companies. The opportunity for data to be reviewed may reduce the risk of unnecessary HMRC attention.

Achieving this could create logistical issues and there is a solution by making use of the increasingly popular cloud accounting software. Desktop programmes may provide similar capabilities, particularly where electronic access to data can be achieved. As an example, the Sage Drive facility can be used to access Sage 50 software.

What is almost certain is that those companies currently using manual methods or Excel cashbooks to maintain records will need to consider moving to a computerised system to comply with MTD requirements.



MTD – Timeline 2017-2020

2017

January - June 2017

Taxpayers able to report additional sources of income through their digital tax account.

July - December 2017

Digital tax accounts show taxpayers an overview of their tax liabilities in one place.

Automatic tax code adjustments prevent PAYE under and overpayments.

2018

January - June 2018

Interest paid by banks and building societies starts to be shown in digital tax accounts.

April 2018

Go live for accounting periods starting after 5 April

July - December 2018

Most self-employed businesses, partnerships and landlords start updating HMRC quarterly for income Tax and National Insurance obligations through their accounting software.

July 2018

First quarterly updates are filed

2018-2019

Legislation affecting companies finalised

2019

2019

Most businesses, self-employed and landlords start updating HMRC quarterly for VAT obligations through their accounting software.

April 2019

VAT returns to be filed using MTD software

April 2019

Last non-corporates migrate to MTD (31 March accounting periods)

From April 2019

Year end updates start to be filed (10 months allowed)

2020

2020

Most corporate businesses start updating HMRC quarterly for Corporation Tax obligations through their accounting software.

The full range of HMRC services is available through digital tax accounts.

31 January 2020

Last ever self assessment returns filed (2018-19) plus last year end updates for 31 March 2019 year ends

April 2020

Limited companies join MTD for both Corporation Tax and VAT

2017 - 2018

Window of opportunity to get preparations for MTD in place, including introduction of suitable electronic accounting packages where necessary

MTD – Cloud Accounting

Many businesses including small companies have already moved away from traditional spreadsheet accounting methods and joined the cloud revolution. Clients who have made this transition report true benefits:

1. Up-to-date management information at the click of a button.
2. Improved cash flow efficient Credit control monitoring
3. Secure multi-user access.
4. Better accountant liaison leads to instant advice and guidance.
5. Constant free upgrades for latest version software at all times.

If you are looking to improve or upgrade your accounting systems in the next few years, then we recommend that cloud solutions are considered. Whiting & Partners has 12 offices across the eastern region where staff have experience of the

major cloud accounts products available and can advise on the best solution for your business's individual needs.

Limited companies already operating their own accounting systems using existing software, possibly even bespoke packages, should perhaps think again about cloud solutions. Compatibility issues may arise when digital submissions come into force. Although major software houses are working with HMRC to ensure compatibility with new products, this is unlikely to exist for older or unsupported software.

Our staff will assist wherever help is needed and it is therefore worthwhile discussing MTD with your usual Whiting & Partners contact as soon as possible.

Plan early to avoid any nasty surprises.

MTD – Directors

All directors should activate their Personal Tax Accounts with HMRC in order to check that the current information relating to their tax affairs is complete and correct. In order to sign up you will need a Government Gateway Account and a valid NI number, all in all it should be a quick and painless procedure via Gov.uk. Once your log-in is set up you can immediately view your PAYE and NI records, including PAYE codes, report

changes that affect child benefit and tax credits, and get your state pension forecast.

Those directors in receipt of significant rental and/or other business income will need to consider the impact of MTD for businesses on their own affairs sooner rather than later as their reporting responsibilities may start from April 2018.

The information in this newsletter is correct at the time of publishing but it should not be relied on in isolation and individual professional advice should be sought.

Bury St Edmunds Office

Greenwood House, Skyliner Way,
Bury St. Edmunds, Suffolk IP32 7GY
Telephone: (01284) 752313
bury@whitingandpartners.co.uk

Chatteris Office

Suite L22, South Fens Business Centre
Fenton Way, Chatteris, Cambs. PE16 6TT
Telephone: (01354) 694111
chatteris@whitingandpartners.co.uk

Ely Office

George Court, Bartholomew's Walk,
Ely, Cambridgeshire CB7 4JW
Telephone: (01353) 662595
ely@whitingandpartners.co.uk

Huntingdon Office

The Old Bakery, 49 Post Street
Godmanchester, Cambs PE29 2AQ
Telephone: (01480) 455575
huntingdon@whitingandpartners.co.uk

Kings Lynn Office

Norfolk House, Hamlin Way,
Kings Lynn, Norfolk PE30 4NG
Telephone: (01553) 774745
kingslynn@whitingandpartners.co.uk

March Office

The Old School House, Dartford Road,
March, Cambridgeshire, PE15 8AE
Telephone: (01354) 652304
march@whitingandpartners.co.uk

Mildenhall Office

Willow House, 46 St. Andrews Street,
Mildenhall, Suffolk, IP28 7HB
Telephone: (01638) 712267
mildenhall@whitingandpartners.co.uk

Peterborough Office

Eco Innovation Centre, Peters Court,
City Rd, Peterborough, Cambs PE1 1SA
Telephone: (01733) 564082
peterborough@whitingandpartners.co.uk

Ramsey Office

108 High Street, Ramsey, Huntingdon,
Cambridgeshire PE26 1BS
Telephone: (01487) 812441
ramsey@whitingandpartners.co.uk

St Ives Office

Unit 14, Raleigh House,
Compass Point Business Park,
St Ives. Cambridgeshire PE27 5JL
Telephone: (01480) 468931
stives@whitingandpartners.co.uk

St Neots Office

14 Eaton Court Rd, Colmworth Bus. Park,
Eaton Socon, St Neots, Cambs PE19 8ER
Telephone: (01480) 470755
stneots@whitingandpartners.co.uk

Wisbech Office

12 & 13 The Crescent, Wisbech,
Cambridgeshire, PE13 1EH
Telephone: (01945) 584113
wisbech@whitingandpartners.co.uk