



Making Tax Digital Guide



What is Making Tax Digital?

Making Tax Digital (MTD) is an initiative created by HMRC to help build a more efficient and effective tax system. The scheme is centred on transitioning all tax processes to digital.

This will include submission of the Self Assessment Tax Return, VAT Returns and Corporation Tax, which, when the initiative is implemented, must all be submitted electronically.

For example, rather than submitting an annual Self Assessment Return by 31st January, those affected will instead be required to manage their returns through software that is compatible with Making Tax Digital.

These will then be submitted to HMRC electronically on a more regular basis than the current system.



FACT

This will **not** mean submitting four tax returns a year. Instead, you'll be regularly managing your finances and will simply need to check the information HMRC are receiving is correct with just the click of a button.¹

¹ 'Making Tax Digital: Myth-Buster' by HM Revenue & Customs, downloaded August 2017

Who does it apply to?

APRIL

2019

A revised timetable of MTD was announced by HMRC in July 2017, confirming that the initiative would not come into force until April 2019, and for the majority of small businesses and sole traders, would not be compulsory until 2020.

MTD will be compulsory on April 2019 only for businesses above the VAT threshold (currently £85,000). From this date, these businesses will only be required to use MTD for VAT purposes.

However, if you are a small business or sole trader and would like to be extra prepared and sign up for MTD early, you are able to do so voluntarily from April 2019.

HMRC also announced that they'll be providing help to those who will be unable to take their tax digital. If you're unable to use digital tools, alternatives will be offered and HMRC will be giving information by phone



If you're an accountant or bookkeeper:

For those advising clients on Making Tax Digital, you will need to ensure you have the software in place to manage submitting returns on a large scale.

You should do this in advance to ensure you're familiar with the software you'll be using. This will smooth the transition for both you and your clients.

Despite the delay to the MTD timeline, encourage your clients to use the software and get prepared for the digitisation of tax. You'll then be able to stagger the switchover and more easily handle each client's needs.



The 'big leap'

For many small business owners and sole traders, the switch to Making Tax Digital may sound like an onerous and daunting task. However, many are already on their way to having an entirely digital tax system:

Returns currently submitted online ¹



These figures suggest there won't be a 'big leap' into the unknown for many submitting annual tax returns. While you'll be required to update information more regularly, it's likely that for many small businesses and sole traders, you'll simply continue managing your accounts in the same way.

Fewer errors and easier access

For the few who do not currently manage their accounts digitally and are concerned about errors that could be made while they're getting used to a new system, we're here to put your mind at ease.

HMRC have developed Making Tax Digital with an aim to actively reduce the margin for error in tax. Not only will MTD save you time when submitting your returns, but approved simple record keeping applications (like Pandle) will actively reduce the likelihood of errors in your accounts.

Currently, £8 billion a year is lost to 'avoidable taxpayer errors.'² Making Tax Digital aims to reduce this figure substantially.

Along with fewer errors, the switch to MTD will also mean you'll be able to more easily access information. With cloud accounting software, information can be accessed from any device by users, so you'll be able to update accounts around your schedule.

² 'Bringing business tax into the digital age' by HM Revenue & Customs, January 2017



For more information on how Pandle can help ease the transition to Making Tax Digital please click:

www.pandle.co.uk