

Making Tax Digital for Business

A guide for small businesses, landlords and the self employed

Making Tax Digital explained

Making Tax Digital for Business (referred to as Making Tax Digital or MTD in this document) is a government initiative all about making it easier for you and your clients to manage and pay taxes.

It aims to provide accountants and their clients with an up-to-date view on their client's tax position and enables you to help your clients manage their finances better.

What Making Tax Digital really means?

- All self-employed individuals, landlords and incorporated entities will be required to keep digital records of all their income and expenditure and submit these records electronically to H M Revenue & Customs (HMRC).
- HMRC will not provide you with the tools for digital record keeping and submission. These will be offered through commercial software providers
- Those affected have the option to make the electronic submission in collaboration with their accountant or bookkeeper or can do this on their own.
- Updates to HMRC will need to be made at least quarterly. Taxpayers will have an option to pay tax based on their quarterly submissions, if they wish.
- Final adjustments to be sent to HMRC within 9 or 10 months after the accounts year-end.

Timelines – the 'new' rules (as announced 13 July 2017)

Annual business turnover	Quarterly reporting	Old rules	New rules
Income over £85,000 and VAT registered	VAT only	1 April 2019	1 April 2019
Over £85,000 (not necessarily VAT registered)	Income Tax	6 April 2018	At least April 2020
£10,000 to £85,000	Income Tax	6 April 2019	At least April 2020 but voluntary basis
All limited companies	Corporation Tax	1 April 2020	At least April 2020

Digital records are now to include spreadsheets e.g. from Microsoft Excel. However, spreadsheets must be used in conjunction with commercial software to make the quarterly submissions to H M Revenue & Customs. The top software providers are working with HMRC to develop APIs (links between your software and their internal systems) to accept data from businesses, landlords etc.

Timelines – the ‘old’ rules

Here are some key deadlines you should know:

	April 2018	April 2019	April 2020
Who is affected?	<p>Self-employed individuals and landlords with income over the VAT threshold.</p> <p>Those in employment who have a secondary income through self-employment or property more than the VAT threshold.</p>	<p>Self-employed individuals and landlords with income above £10,000 and less than the VAT threshold.</p> <p>Those in employment who have secondary income of more than £10,000 and less than the VAT threshold through self-employment or property.</p> <p>Self-employed individuals, landlords and incorporated entities who are registered for and pay VAT.</p>	<p>Incorporated entities who pay Corporation Tax.</p>
What do you need to do?	<p>Keep digital records and make tax adjustments to income and expenditure, submit quarterly updates and a year-end summary for income tax, VAT and Corporation Tax</p>		

Who is exempt from Making Tax Digital?

HMRC has stated there will be exemptions for some organisations including:

- The self-employed individuals and landlords with small amounts of income.
- Those in employment who have small amounts of secondary income through self-employment or property.
- Digitally exempt – the definition of which is: " A person who is a practising member of a religious society or order whose beliefs are incompatible with the use of electronic communications; and persons for whom Making Tax Digital is not reasonably practicable for reasons of disability, age, remoteness of location, or any other reason. "