

# Making Tax Digital - Frequently Asked Questions

*“Digital software will help businesses stay on top of their record keeping, allowing them to monitor their business performance”.*

## What is Making Tax Digital (MTD)?

Making Tax Digital is a government initiative that sets out a vision for a digital tax system. HMRC's vision is that paper tax returns will be eliminated and digital records introduced, enabling taxpayers to update HMRC of their income position on a more frequent basis, resulting in real-time data.

## Who will be affected?

From April 2019, VAT registered businesses, including self-employed, landlords, unincorporated businesses, companies, LLPs and charities with a turnover above the VAT registration threshold of £85,000 will be required to:

- Keep their records digitally.
- Provide their VAT return information to HMRC via MTD compatible software.

## What information will I be required to keep digitally?

You will be required to keep a record of all sales and purchases so that the totals for applicable VAT outputs and inputs can be calculated for each return period.

## What are the benefits of MTD?

MTD should encourage businesses to move to cloud based accounting software. This will give you the ability to automate tasks such as invoice input and bank reconciliations, and to track sales and costs in real time. It also allows us to access your information and can monitor accordingly, allowing them to provide relevant advice on business and tax issues that arise.

## Do I need to purchase a software package, if so which one?

Under MTD, HMRC requires businesses to utilise a piece of digital software that records business transactions electronically and directly communicates with HMRC. An example of an accounting software that connects with HMRC's VAT portal is Quickbooks.

An alternative option is to engage with us to maintain your records and file your VAT return on your behalf.

## Do Excel Spreadsheets count as compatible software?

HMRC has said that records can be maintained within spreadsheets, however these must then be linked to the cloud software so they can then be communicated to HMRC.

### **Do I still need to keep Annual Accounts?**

At this stage, yes you do. However, the next stage of MTD is expected to be the quarterly filing of accounts to HMRC and at that stage the annual accounts may not be required.

### **How long do I need to keep digital records for?**

Businesses will need to keep digital records for up to 6 years .

### **Do I have to keep records digitally for other taxes?**

At this stage, businesses will only be required to keep records digitally for VAT purposes. However, HMRC have stated their ambition of becoming one of the most digitally advanced tax administrations in the world, so there is the potential for Making Tax Digital to expand in the future to Income Tax and Corporation Tax.

### **I am currently exempt from submitting my VAT returns online - will this change?**

No. If a business cannot go digital, it will not be required to do so and will not have to meet the obligations of Making Tax Digital.

### **Need further advice?**

Contact us for further information about how Making Tax Digital will affect you, and what you need to do to be compliant with the new regulations.

**Egale 1, 80 St Albans Road, Watford, Hertfordshire, WD17 1DL**

**T: 01923 224411**

**W: [www.myersclark.co.uk](http://www.myersclark.co.uk)**

**E: [enquiries@myersclark.co.uk](mailto:enquiries@myersclark.co.uk)**