

Making Tax Digital

Quick Reference Guide: 10 August 2018

Purpose

This document provides you the latest update on HMRC's Making Tax Digital proposals and timetables and how MTD impacts both SMBs and Accountant workflows moving forward.

What is MTD?

HMRC have a vision to be one of the most advanced tax administrations in the world by 2020. MTD is about bringing business tax collection into the digital age.

Phase 1 of MTD formally commences in April 2019 (7 months from the date of this update) initially targeted at VAT registered businesses with a turnover above the VAT threshold of £85,000. This means businesses with turnover below the VAT threshold can select voluntarily to move to the digital filing system (ie volunteer to comply as they want).

If you are a business with a turnover at or above the VAT threshold, you will be required to keep digital records for VAT purposes initially from April 2019. Businesses will not be required to keep digital records or update HMRC quarterly for other taxes, such as corporation tax or income tax until 2020.

MTD Impact:

As VAT businesses file monthly, quarterly or annual returns today, no business or Accountant will need to provide information to HMRC more regularly during this initial phase than they do now. (Caveat: the reason for filing frequency does not change due to MTD, however when business circumstance mandate a phasing change, MTD regulation comes into effect and filing frequency needs to match).

However the manner and method in which individuals and businesses interact with HMRC will change. MTD means accounting records must be 'digital' and excludes submission of manual books, records and spreadsheets.

The use of digital record keeping software (such as QBO) that connects and updates businesses VAT tax accounts with HMRC becomes mandatory. HMRC will not be providing free software as they currently do for some tax submissions. Businesses will have a legal requirement to choose, purchase and use digital software or apps to be compliant. (Exceptions: <https://www.gov.uk/government/consultations/making-tax-digital-reforms-affecting-businesses/making-tax-digital-for-vat-legislation-overview>)



MTD Timelines

Apr '18	Sept '18	Nov '18	Apr '19	Apr '20	Apr '21
QB private beta begins, voluntary MTD for VAT compliance welcomed by hand-selected few	QB public beta begins, voluntary MTD for VAT compliance welcomed by those deemed eligible.	HMRC new VAT gateway goes live (dependent on BETA success)	VAT for all registered businesses, self employed workers and landlords to be lodged digitally	Possibly income tax for all businesses, self employed workers	Possibly corporation tax for all incorporated

What steps is HMRC taking currently?

HMRC is beta testing Making Tax Digital for Business (MTDfB) for VAT. Private/Voluntary compliance trials have been a success with the use of HMRC approved software providers including QuickBooks. Quickbooks successfully completed 6 filings during this private beta testing phase. HMRC plans to move to public beta testing in Autumn 2018.

How are we helping SMBs and Accounting Partners to prepare?

Understand the size of the population:

There are 2.6M businesses registered for VAT today, with 1M at or above the £85,000 turnover threshold who will be impacted by MTD.

What Can Accounting Partners Do Now?

Get to grips with the number of clients that they currently serve who are VAT registered above the threshold of £85,000, who will need to file via digital records in less than 7 months. Best practice firms have completed this analysis and are phasing the move of their clients to compliant Cloud software solutions in an orderly and timely manner. QuickBooks can help our accounting partners segment their customer base by identifying VAT impacted business on whom they should focus.

What are SMBs doing to be compliant?

From our own records, over 55% of firms using QBO are already e-Filing through our VAT Centre currently.

QuickBooks on MTD

Our Holding Statement (approved Jan 2018):

QuickBooks Online is HMRC registered cloud software that helps small businesses and accounting professionals with VAT management. The software enables tracking, calculating, reporting and filing online.

With Making Tax Digital set to land in 2019, the QuickBooks team is working closely with accountants and small businesses to ensure the product is developed in line with the VAT requirements set by HMRC.

This includes participation in HMRC's hackathons, a research collaboration workshop and QuickBooks will be involved in HMRC's VAT pilot in the coming months.

QuickBooks is committed to delivering a best in class experience for organisations that file tax digitally.

Our Value Proposition to Market:

SMBs using QBO:	For Accountants using QBOA:
<p>Features:</p> <ul style="list-style-type: none"> E-filing (MTD VAT ready) VAT Centre & Budgeting <p>Benefits - Pain Relievers:</p> <ul style="list-style-type: none"> E-filing capabilities remove need to re-key <p>Benefits - Gain Creators:</p> <ul style="list-style-type: none"> Flexible VAT / Tax set-up to handle CIS, and partial VAT (FRS on roadmap, not yet live) One time HMRC set up removes need to enter gov.gateway credentials each time they login to submit 	<p>Features:</p> <ul style="list-style-type: none"> Managing HMRC queries and clients for VAT payments easily Managing final adjustment <p>Benefits - Pain Relievers:</p> <ul style="list-style-type: none"> Reduce time wasted re-keying data into HMRC filing portal <p>Benefits - Gain Creators:</p> <ul style="list-style-type: none"> Maximising tax entitlements based on VAT/ Tax Scheme