

## Client factsheet on Making Tax Digital

Making Tax Digital (MTD) is the most fundamental change to the administration of the tax system for at least 20 years.

The essential elements for businesses and organisations are:

- **Paper records will no longer be sufficient:** It will become mandatory for almost all businesses and organisations (self-employed, partnerships, limited companies and others) to use software or a spreadsheet to keep accounting records. Paper accounting records will cease to meet the requirements of tax law.
- **Returns and quarterly reporting:** There will be a requirement to submit income tax updates to HMRC each quarter and a final end of year return, directly from software.

As your accountants we will support you through these changes and provide the ongoing services that you need. However, the changes are so fundamental that it will be necessary to review your current record keeping systems and to reconsider what work you decide to do yourself and which activities you wish to include in the service we provide.

### When does it start?

**VAT:** MTD for VAT starts in April 2019. You are not currently VAT registered; MTD for VAT will be relevant to you only if you become VAT registered.

**Income Tax (self-employed, partnerships, trusts and landlords who complete self assessment tax returns):** MTD is expected to become mandatory for income tax reporting, but not before 2020. Pilots of MTD for income tax have started.

**Corporation Tax (limited companies):** The timings for MTD for corporation tax have yet to be confirmed but it will not become mandatory before April 2020.

### What are the exemptions?

- There are exemptions for those who are not able to engage digitally for religious reasons or due to a factor such as age, disability or location (eg, no availability of broadband).
- When MTD for income tax becomes mandatory there will be an exemption for businesses and landlords with a very small turnover; the level of this exemption has not been set.

### What do I need to do now?

We need to discuss your transition to MTD. Although there is no firm date for when you will be required to comply there are advantages to digitalisation and the transition to MTD will be much smoother for those that are keeping electronic accounting records.

- We may need to consider the possibility of a digital exclusion exemption.
- If you currently use accounting software it will need to be upgraded. If you are considering acquiring software or joining the pilot, please discuss this with us first.
- If you currently maintain records on a spreadsheet you will need to acquire software which will allow returns and updates to be made directly from the spreadsheets, or engage us to do this work.
- If you currently maintain records on paper your processes will need to change. You will need to provide records to us promptly after each quarter-end and engage us to do the bookkeeping, quarterly and annual reporting or acquire and use appropriate software.

### Where can I get further information about these changes?

**Contact your adviser:** *name, email address, phone number*

*Firm's own website?*

[HMRC website](#)

[ICAEW website](#)