



• **BFS ACCOUNTANTS LTD** •

Making Tax Digital

What is Making Tax Digital?

Making Tax Digital was first announced in the March 2015 Budget as part of the government's plan to modernize the tax system, making it easier for businesses and individuals to deal with their tax affairs.

It is a massive project, which will insist that most businesses, including sole traders and landlords, keep their accounting records using computer software. The software will automatically update HMRC with relevant data on business income and expenses on a quarterly basis.

This will result in a streamlined system and see the end of the annual tax return, transforming tax administration so it is more effective, more efficient and easier for taxpayers.

Since it was announced in 2015, Making Tax Digital has undergone several changes, some of which have already been introduced. Almost, all UK taxpayers and owners of small businesses now have a Personal Tax Account enabling them to check their finances and manage the information HMRC holds about them.



When will it affect me?

HMRC have recognized that many small businesses would need time to prepare for the changeover and have revised the timetable to the following:

April 2019, businesses above the current VAT threshold of £85,000 will be required to maintain digital records – but only for VAT purposes.

April 2020, further roll out of Making Tax Digital is expected to affect small businesses under the VAT threshold.

Businesses will not be asked to keep digital records or to update HMRC quarterly for other taxes until 2020 at the earliest.



Why is HMRC introducing it?

Making Tax Digital is intended to help you better keep track of how much tax you owe, or how much you are due back – throughout the financial year.

Accurate Tax Information

Replacing paper-based bookkeeping with digital tax accounts will let you check the information HMRC holds about you is 100% correct.

Reduced Errors

Making Tax Digital's new reporting function will allow HMRC will to look at your tax information almost immediately, reducing human error from data input.

Easier to understand

HMRC anticipates taxpayers will better understand how much tax is owed within the digital tax account – much like online banking.

Easier contact with HMRC

Making Tax Digital will make it easier for you to contact HMRC online via webchats and secure messages.



How will it work?

The requirement for digital records will be completed via specific software, which will link directly with HMRC for the purpose of submitting the data to them.

Whilst this may include spreadsheets, there will be no method of directly uploading data to HMRC from the spreadsheets, it will need to be uploaded through approved accounting software that has been linked with HMRC.



For individuals

For individuals who currently complete self-assessment tax returns, these returns will eventually be removed and tax payers will be required to regularly check, confirm and correct information held on their digital tax account.



Help with Making Tax Digital

We fully understand what is required to manage your business records digitally and have spent time developing the right support services to help you through this period of change and to ensure that you understand what is required to manage your business records digitally.

If you are still using paper-based records you should seriously consider changing to a digital system soon, making an easier transition to digital reporting when it is introduced.

We can offer support, training or a bookkeeping service which will ensure that you comply with all aspects of Making Tax Digital.

For more information or to discuss how we can assist please get in touch. Call us on 01623 238523, email info@bfsaccountants.co.uk or visit our website at www.bfsaccountants.co.uk.





• **BFS ACCOUNTANTS LTD** •

www.bfsaccountants.co.uk

info@bfsaccountants.co.uk

Mansfield Office

The Willows
Ransom Wood Business Park
Southwell Road West
Mansfield
Nottinghamshire
NMG21 0HJ

Tel : 01623 238523

Nottingham Office

Bridgford Business Centre
29 Bridgford Road
West Bridgford
Nottingham
Nottinghamshire
NG2 6AU

Tel : 0115 735 1923

Chesterfield Office

Tapton Park Innovation Centre
Brimington Road
Chesterfield
Derybshire
S41 0TZ

Tel : 01246 541915