



Making Tax Digital

How and when will
it affect you?

Chartered accountants and business advisors

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MARKHAMS

BUSINESS ADVISORS
CHARTERED ACCOUNTANTS
TAX CONSULTANTS

How and when will it affect you?

Individual taxpayers

AEL Markhams has been submitting personal tax information securely online to HM Revenue and Customs (HMRC) for some years now, and every individual & business in the UK has a digital tax account. If you have chosen us to look after your personal and, or business's tax affairs, then managing this account is another part of the tax service we can provide for you.

How HMRC receive information currently

Information about your personal and your business's tax affairs arrive with HMRC in various ways. An example would be information on an employed person's weekly or monthly wage or a pensioner's pension payments which comes directly to HMRC from the employer's

payroll submissions. Or in the case of the state pension, from the Department for Works and Pensions (DWP).

Self-Assessment Tax Returns

Businesses and many individuals complete an annual Tax Return called a Self-Assessment which is needed to substantiate the information from the third parties and the information submitted by the individual, or from us, your accountant. Some examples would be Year-End Accounts, Rental Income & Expenses, Income from Investments and sale of assets.

Note, the most significant change is that paper records will no longer be acceptable under tax law. Digital documents and digital filing of quarterly reports, together with a Year-End Statement, will become mandatory for many taxpayers.



Some big changes are happening

HMRC want to rely more heavily on third-party information via the digital tax accounts, and less on the end of year Self-Assessment Tax Returns. They want to collect this information in real-time with the ultimate intention of abolishing Self-Assessment Tax Returns for many individuals.

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As HMRC move forward with modernising the whole tax system, the changes made will impact you. As a result of these changes, AEL Markhams wants to let you know what is happening and the timetable for the changes over the coming months and years.



Making Tax Digital for Business

Which businesses are affected?

Around 1.6 million companies and 2.4 million self-employed individuals (including partnerships); and 900,000 landlords of residential properties have been affected by the reported changes.

Who's exempt?

Individuals, businesses and landlords of residential properties where the gross income is less than £10,000 will be exempt. Also exempt are those who are not able to engage digitally for religious reasons, or due to a factor such as age, disability or location, (for example, no broadband availability).

AEL Markhams recommends the following action?

As a business or individual approaches their Making Tax Digital for business entry date, they will be required to start keeping digital records. This form of recording includes providing quarterly updates of income and expenditure to HMRC via a dedicated online system, which will require using software specially designed for this purpose.

After the end of the fourth quarter, a Year-End Statement is required which pulls together all of the submissions made, allows making any final adjustments and collates any information about Gains made from the sale of residential properties; if applicable.

Who's first?

Businesses with a turnover above the VAT registration threshold applicable on 1st April 2019, were the first to be affected by Making Tax Digital.

These businesses should now be submitting their VAT returns under the new system which started from the first quarter on or after 1st April 2019.

Who's next?

The scope of Making Tax Digital for businesses will not incorporate taxes such as corporation tax, landlords and Self-Assessment until April 2021 at the earliest.

Moving your Making Tax Digital for Business entry date

HMRC have put in place rules that prevent a change of accounting date in order to move the Making Tax Digital for Business start date if the purpose of doing so is to avoid meeting the Making Tax Digital for business obligations. This rule took effect from 6th April 2018 for VAT.

Property Businesses

It is the current understanding that property businesses will make Making Tax Digital for Business statements quarterly for the company as a whole, rather than by individual property. The addresses of each property let will need to be reported, but the Gains on sales will only be reported separately.

VAT

All businesses, incorporated and unincorporated are within the scope of Making Tax Digital for Business for reporting their VAT transactions from 1st April 2019.

Penalties

There will be a soft landing for the first twelve months from the entry to Making Tax Digital for Business to allow the country to become familiar with the new tax system. Thereafter the government are currently consulting on the penalty regime it will implement as sanctions

for non-compliance and for late submissions of quarterly and annual statements.

Paying your tax liabilities

The new tax system does not change the dates of when tax liabilities become due for payment.



AEL MARKHAMS IS HERE TO HELP YOU

If your business is comfortable with technology and you regularly file your payroll, automatic enrolment and VAT submissions online, then you may want to discuss your obligations and procedures to ensure that you are compliant.

Other small businesses and landlords with residential properties may want more support, or for us to deal with all of the Making Tax Digital for Business submissions on your behalf. Whatever your business needs, or if you want to discuss your entry date, then please speak with us.



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CONTACT US

Got a question?

Contact us at info@aelmarkhams.co.uk
to see how we can help your business