

# Making Tax Digital

with David Allen

## 1. What is Making Tax Digital (MTD)?

MTD is a key part of the government's plans to make it easier for everyone to get their tax right and keep on top of their affairs. MTD will bring fundamental changes to the way the tax system works so that it is effective, efficient and easier for tax payers to get their tax right.

MTD for VAT is the first stage of the process with some businesses complying from 1 April 2019 if you are VAT registered. Those not yet compliant, will need to comply from 1 April 2020. Your records will need to be maintained in a digital form so that your VAT return can be submitted to HM Revenue and Customs (HMRC) using a functional compatible software product.

Our 12 steps to getting MTD ready will provide all the information you need.



## 12 steps to get MTD ready

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## 2. When will MTD affect me?

From 1 April 2019, all VAT registered businesses and organisations with a taxable turnover above the VAT threshold of £85,000 in the last 12 months were required to comply with the MTD legislation. From 1 April 2020, the legislation extends to all VAT registered businesses and individuals.

So if you have a VAT quarter ending March 2020, your first MTD submission will be for the VAT quarter ending 30 June 2020. If your VAT quarter normally ends in April, then your first MTD submission will be for the quarter ending 31 July 2020. Those monthly VAT registered, this will be 30 June 2020.



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## 3. What does digital record keeping mean for me and my business?

MTD means that accounting records need to be maintained digitally in a software product or spreadsheet. VAT returns then need to be submitted to HMRC using a functional compatible software product that can access HMRCs Application Program Interfaces (API) platform.

For many businesses the introduction of MTD will mean that you need to begin to use an approved accounting software to maintain your accounting records such as Sage, Xero or Quickbooks. Spreadsheets can be used but they will need to be API enabled or used in conjunction with software. Spreadsheets alone are not a free way to comply with MTD for VAT.

Digital record keeping does not mean that you have to scan and store all invoices digitally, you can continue to keep documents in paper form but each individual transaction will need to be recorded digitally. There are some exceptions to recording every transaction digitally and we can discuss your own circumstances with you to identify if this would apply.



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## 4. What are my options for digital software?

When advising what is the most suitable software option for you, we will consider how you currently maintain your records, your business model, future plans for the business and ensure our recommendations are tailored to your circumstances.

There are a lot of software providers offering MTD compatible software and we can find the right solution for you. The most popular packages are Xero, Quickbooks and Sage.

If your transition to becoming MTD ready is to use spreadsheets then we will assist in ensuring that these are API enabled and therefore compliant. Spreadsheets alone are not a free way to comply with MTD for VAT.

Our team will find the best solution to get you MTD ready.



## 12 steps to get MTD ready

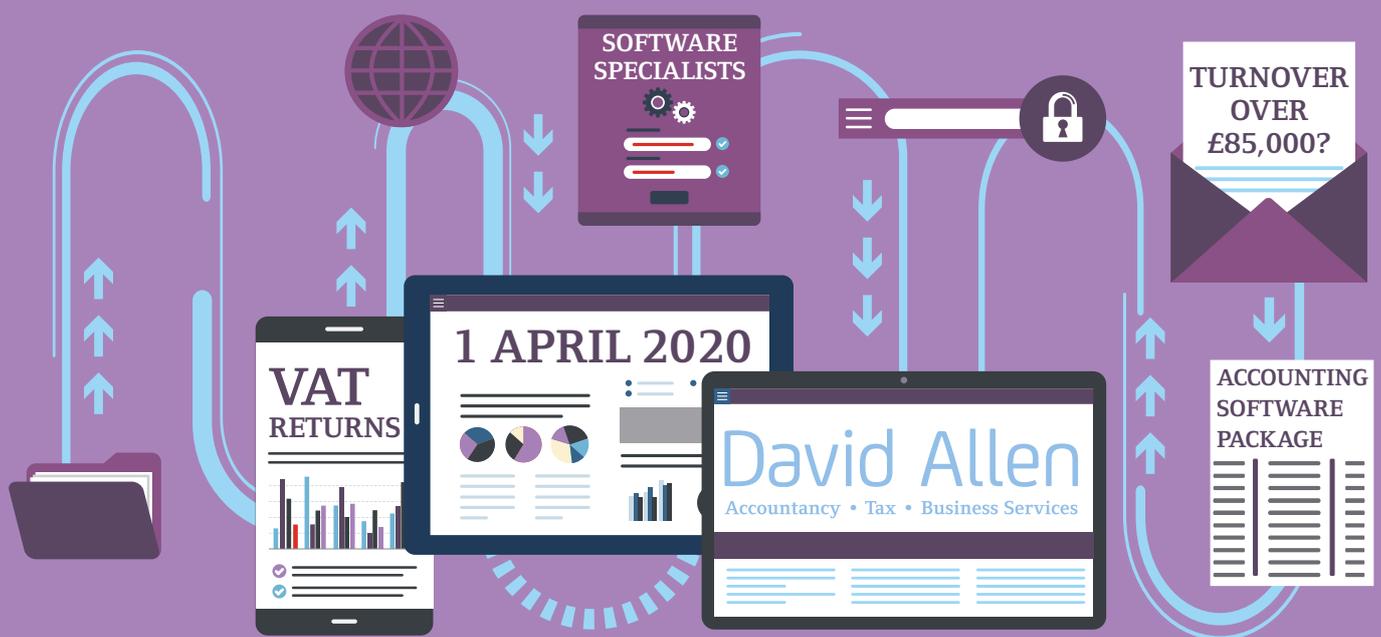
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## 5. Is my current software suitable?

If you currently maintain your accounting records on software then you can check if your package is MTD ready on the following link [here](#). You may need to confirm that you are using the correct version of the software for MTD. For example, Sage Line 50 is MTD ready on Version 24 and above.

We can also assist you in finding out if your current software is MTD ready so give us a call. If your software is not suitable then we will provide options and costs for upgrading your package to ensure that you are MTD ready and we can assist you in any upgrades or implementation of new software.



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## 6. Are there any exemptions from MTD?

There are exemptions from MTD for the digitally excluded and this covers those that do not use computers for religious reasons and those that are not able to comply because of age, disability or remoteness of location.

Those that are not currently exempt from filing VAT returns online may find it difficult to persuade HMRC that the exemption from MTD should apply.

Give our team a call to discuss your position if you think exemption may apply to you.



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## 7. Are there penalties if I make a mistake?

For the first 12 months under MTD, HMRC are allowing a 'soft landing' period, meaning that as long as you can demonstrate you have tried to comply with MTD, no penalties will be raised if the digital links are not all in place.

However, late payments and submissions of VAT returns will still prompt the default surcharge system to begin, so don't risk it!

By April 2020, HMRC hope to have introduced a points based penalty system like driving licence points.

Our team will work with you to ensure that you don't receive any penalties.



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## 8. Can I maintain my records or do I need an accountant to do it?

Once you have decided on the best MTD solution for you we can work with you to develop a process that works for you. This can involve us maintaining the records for you and submitting your VAT so you don't need to worry about using accounting software. Alternatively you can maintain all records yourself and submit your VAT return through your software. Or, we can provide initial training to get you set up and then carry out regular checks and reviews and provide assistance in submitting your VAT return.

We will tailor our support to what works best for you.



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## 9. Meet our MTD team who are here to help you get MTD ready



**Amy Johnston**  
Business Services Specialist



**Amy Muirhead**  
Dumfries Manager



**Michael Fearon**  
Business Services Specialist

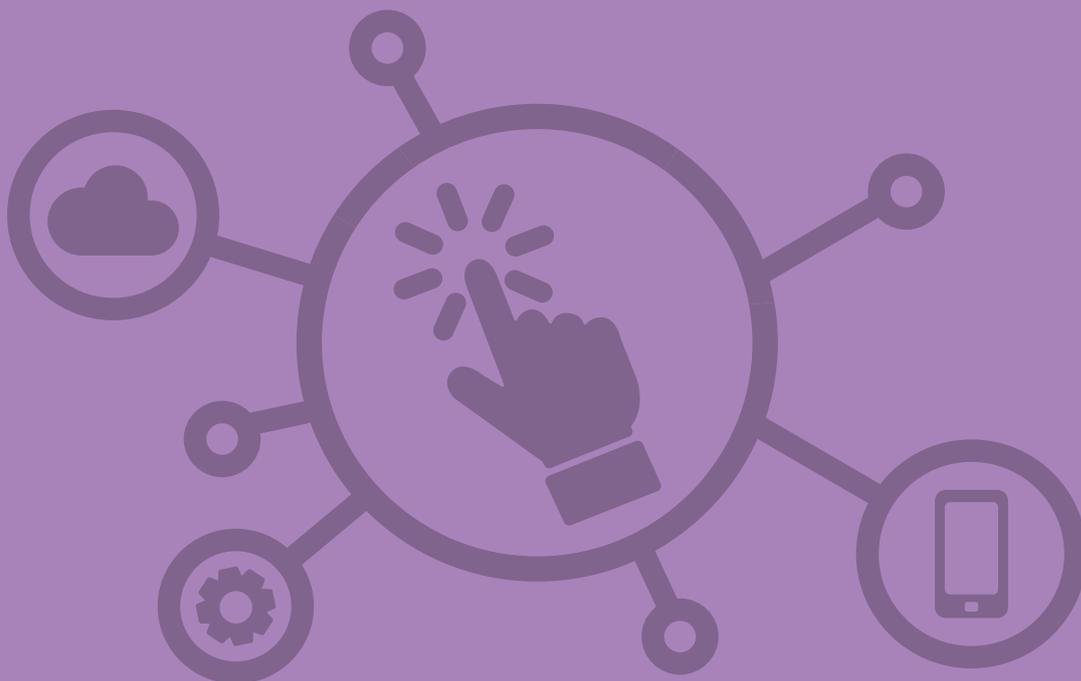
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## 10. What are the benefits of MTD for my business?

MTD will ensure that you are keeping your accounting records up to date. By maintaining records digitally it will allow you to get management information on your business and understand your financial results at any time. This will assist you with business planning, tax planning opportunities, and information required for business lending.



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## 11. What should I do now?

If you are a David Allen client, then your adviser will be contacting you in the coming weeks to discuss your options for getting MTD ready.

If you are not a David Allen client, but would like some support in getting MTD ready then give us a call. We would be delighted to meet you and find out more about your business in order to advise on the best MTD option for you.

Please do not panic about MTD as our team is here to provide support and guidance throughout the process allowing you to focus on your business.



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12. Let the David Allen team  
take care of MTD for you while  
you focus on your business



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