

M+A Partners

Making Tax Digital



M+A Partners has been helping clients to grow their businesses and achieve their ambitions for over a century - and we're immensely proud of our history. We're a forward-looking firm with an emphasis on innovation, new technology and finding pioneering ways to give our clients the best possible service.

Our Norfolk-based firm is led by nine partners who are some of the most high-profile and well-respected experts in their fields locally, supported by a talented team of over seventy staff.

We have a well-earned reputation for building excellent relationships with clients and the wider business community. That has always been, and continues to be our number one priority.

With Making Tax Digital (MTD), HM Revenue & Customs intends to modernise the tax system and bring it fully into the digital age. This will be the biggest shake up of the UK tax regime in over 20 years with the aim of increasing tax revenues through the reduction of taxpayer errors whilst offering administrative savings for taxpayers.

Every taxpayer, including those currently outside the Self Assessment regime, will have a Digital Tax Account which is one of the cornerstones of MTD.

The key elements of MTD are:

- + The digital tax account will be automatically populated with the information HMRC receives from third parties, for example:
 - + Employment income details.
 - + Pension income including state pension.
 - + Bank and building society interest.Taxpayers will be required to confirm that the details are correct or otherwise contact HMRC or the third party to have the information corrected.
- + All types of tax affecting the taxpayer (for example income tax, VAT, PAYE) can be viewed in one place and overpayments under one heading can be offset against other liabilities.
- + Businesses and landlords will be required to keep their records digitally.
- + They will be required to submit updates of their transactions to HMRC on at least a quarterly basis. The deadline for the updates is 1 month after each quarter.
- + A final declaration with accounting adjustments must be submitted within 10 months of the end of the accounting period (or by 31 January for landlords).
- + Dedicated software or mobile phone apps will be required. HMRC are not providing any form of software but third party providers will be required to make free software available. Spreadsheets can be used to maintain records but MTD compliant software will be required to make the necessary submissions to HMRC.

- + Prompts and nudges will be included in MTD compatible software to provide support and help eliminate any errors.
- + The digital tax account will show the estimated tax liability based on the quarterly submissions throughout the year.
- + A **voluntary** 'pay as you go' system will enable taxpayers to plan their cashflows.

Timeline

MTD will be introduced in stages as follows:

- + First accounting period starting after 5 April 2018 - income tax quarterly reporting for unincorporated businesses with turnover above the VAT threshold (currently £85,000).
- + 6 April 2018 - quarterly reporting for income tax for landlords with gross rents above the VAT threshold.
- + 6 April 2019 - VAT quarterly returns, income tax quarterly reporting for unincorporated businesses and landlords with turnover/ gross rents between £10,000 and the VAT threshold.
- + 6 April 2020 - companies and larger partnerships (where turnover exceeds £10m).

Exemptions

- + Charities and Community Amateur Sports Clubs (but not their trading subsidiaries).
- + Insolvent businesses.
- + Those taxpayers unable to engage digitally on religious grounds or where it is not 'reasonably' practicable for reasons of disability, age, remoteness of location or any other reason.
- + Very small businesses and landlords with turnover or gross rents not exceeding £10,000.

Simplification

As a part of the MTD regime, HMRC are seeking to simplify some of the tax rules for unincorporated businesses and landlords:

- + Extension of the cash basis of accounting to businesses with a turnover of up to £150,000 (previously £83,000) from 6 April 2017.
- + Extending the cash basis to landlords for the first time, again for those with gross rents up to £150,000, as the default basis from 6 April 2017.
- + Reform of the rules which determine the tax year in which business profits are taxed.
- + Simplification of the rules for determining whether expenditure is capital or revenue in nature.

Next step

Many of the details for Making Tax Digital have yet to be finalised. However, personal tax accounts are already available and, if you have not already done so, we recommend that you set up your account by visiting: www.gov.uk/personal-tax-account

This is a brief summary of the proposals to date.

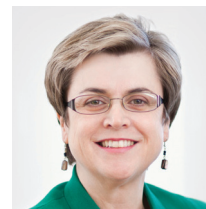
For further information you can view our introductory webinar.

Search: **Making Tax Digital** on our website www.mapartners.co.uk or talk to our experts.

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If there are any questions you have regarding 'Making Tax Digital' digital record keeping or general tax enquiries, please do not hesitate to get in touch with any of our experts below:



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