

Making Tax Digital

Emma Hardwick, Head of Plus Advisory

31 January 2019



Workshop Goals

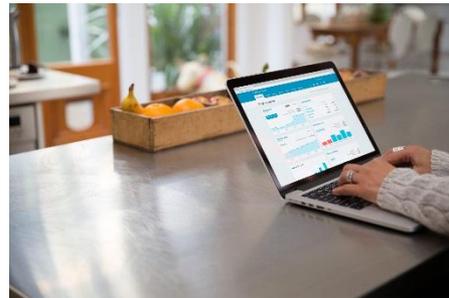
- ▶ To understand what Making Tax Digital (MTD) means
- ▶ To help you prepare for April 2019
- ▶ Answer questions
- ▶ Try something new, with Cloud Accounting

Making Tax Digital

Question - Who has heard of it before?

Question - Who thinks it will affect them now?
- Or in the future?

Question - Do you know HMRC are setting this up?

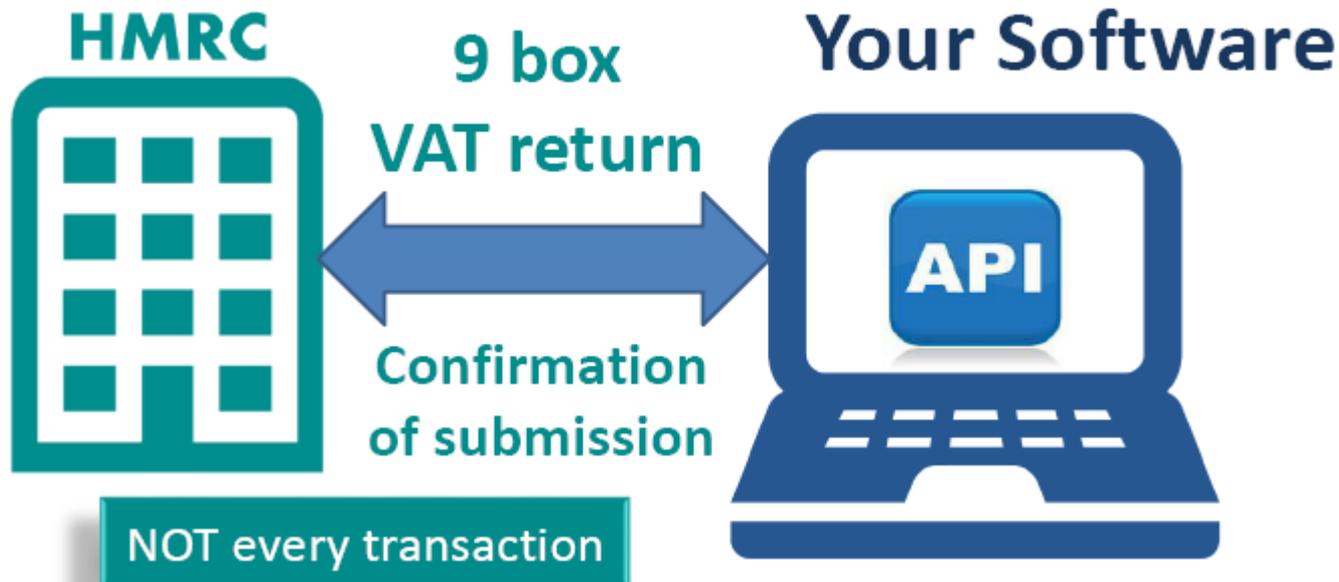


What is Making Tax Digital?

- ▶ It was originally discussed in 2015 by George Osborne with the aim to abolish the annual self-assessment tax return.
- ▶ The goal was that all together, every individual transaction should be filed to HMRC by a Real Time connection but this is now on delay.
- ▶ 3+ years down the line and this has been scale right back down, with one step at a time being proposed.
- ▶ They state that the main goal of MTD is to make tax administration more effective, more efficient and simpler for taxpayers.

What is Making Tax Digital?

- ▶ The current first approach in Making Tax Digital is for VAT purposes.
- ▶ This includes ensuring your VAT return (9 boxes) are filed via their new MTD platform by a digital connection.



When does it start?

- ▶ Making Tax Digital for business (MTDfb) begins on 1 April 2019 with Making Tax Digital for VAT.
- ▶ From that date, VAT-registered businesses above the threshold of £85,000 will have to keep digital records and submit VAT returns using compatible software.
- ▶ You can choose to opt in to the scheme if you are below the £85,000 and are VAT registered.
- ▶ To note if you voluntarily opt in, you cannot later swap back.



MAKING TAX DIGITAL *READY*

Who should this apply to?

- ▶ This includes unincorporated businesses, partnerships, companies, LLPs, trusts, non-UK businesses registered for UK VAT.
- ▶ VAT-registered businesses above the VAT threshold of £85,000
- ▶ HMRC have recently just confirmed the threshold test criteria.
- ▶ Previously it was if the company had ever exceeded but now;
It is the 12 months to the date of consideration (1 April 2019)
Therefore you must test your turnover for the period;
1st April 2018 to 31st March 2019
- ▶ If over £85,000 then the MTD scheme will apply

Are there any exemptions?

You will not have to follow the Making Tax Digital rules where HMRC is satisfied that:

- ▶ Your business is run entirely by practicing members of a religious society whose beliefs are incompatible with the requirements of the regulations (for example, those religious beliefs prevent them from using computers)
- ▶ It is not reasonably practicable for you to use digital tools to keep your business records or submit your returns, for reasons of age, disability, remoteness of location
- ▶ You are subject to an insolvency procedure

If you think any of these apply to you then contact the VAT Helpline to discuss alternative arrangements.

What does it mean?

- ▶ You will need to ensure you are on MTD-compatible software by 1 April 2019 ready to submit your first VAT return after this date.
- ▶ Making Tax Digital Compatible Software:-

HMRC have their approved list online that they have approved works with their systems.

If you currently use a book-keeping software the first step will be to check if the software or version of software will be compatible come 1 April.

If not compatible, you will need to consider upgrading costs, or even moving book-keeping software to ensure you are compliant.

What does it mean?

- ▶ If you do not yet use a book-keeping package to maintain your books for your quarterly VAT returns now is the time to review your position.
- ▶ HMRC will be accepting digital records being maintained in Excel / spreadsheets, but there must be seen 'digital links' between spreadsheets and a separate 'bridging software' which takes your data in Excel and files your VAT return digitally to HMRC.
- ▶ No more keying data into HMRC online allowed.
- ▶ Unfortunately HMRC will not be issuing their own free software.

What does it mean?

- ▶ There are software developers out there creating the Excel Add-ins to create this bridging requirements, on HMRC approved list are already numerous companies selling this software.
- ▶ This will be compliant for VAT purposes but could potentially not be compliant for the next stages of MTD.

The screenshot shows a GOV.UK page with the following content:

- GOV.UK** logo and navigation menu (Departments, Worldwide, How government works, Get involved, Publications, Consultations, Statistics, Announcements)
- Breadcrumbs: Home > Money > Personal tax > Income Tax
- Section: **Guidance**
Find software suppliers for sending VAT Returns and Income Tax updates
- Text: Find out which software packages support the Making Tax Digital pilots.
- Metadata: Published 15 March 2018, Last updated 29 November 2018 — see all updates, From: [HM Revenue & Customs](#)
- Contents:
 - Overview
 - Software suppliers and available products
- Overview**

If you sign up to the Making Tax Digital pilots you'll need software packages that, depending on your needs, let you:

 - [submit VAT Returns](#)
 - [send Income Tax updates](#)
- Related content**
 - [Income Tax](#)
 - [Tax agent and adviser guidance](#)
 - [VAT](#)
- Collection**
 - [Commercial software developers](#)
 - [Making Tax Digital for VAT](#)

What does it mean?

- ▶ A 'digital link' is one where a transfer of data is made electronically between software programs.

That is without the need for manual intervention such as the copying over of information by hand.

- ▶ A digital link includes linked cells in spreadsheets, for example, if you have a formula in one sheet that mirrors the source's value in another cell, then the cells are linked.

- ▶ HMRC will also accept a digital link as:

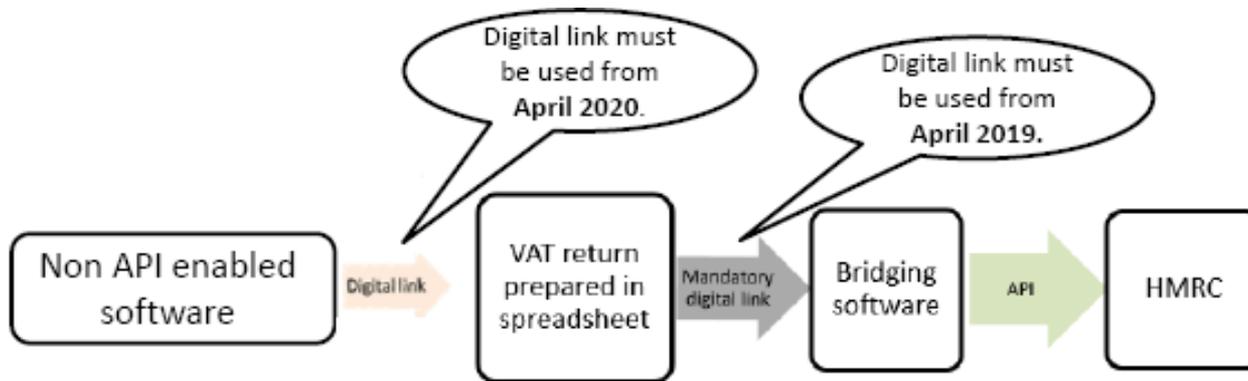
Emailing a spreadsheet containing records to a tax agent

Transferring data to USB to physically give to a tax agent

CSV import and export of data between systems

What does it mean?

- ▶ Using software, a spreadsheet and a bridging product.



When do I need to start?

- ▶ You will need to ensure you are on MTD-compatible software by 1 April 2019 ready to submit your first VAT return after this date.
- ▶ This applies from your first period of return that starts after this date.
- ▶ Example 1 -
VAT QE 31st March, first return will be 1st April to 30th June 2019
- ▶ Example 2 -
VAT QE 30th April, first return will be 1st May to 31st July 2019
- ▶ Example 3 -
VAT QE 31st May, first return will be 1st June to 31st August 2019

What do you need to keep digitally?

You must have a digital record of:-

- ▶ Your business name
- ▶ The address of your principal place of business
- ▶ Your VAT registration number
- ▶ Details of the VAT accounting schemes that you use

Supplies made (sales):-

- ▶ Date of supply (tax point), net value of your sale and the rate of VAT charged

Supplies received (purchases)

- ▶ Date of supply (tax point), net value of your purchase and the amount of input VAT you will reclaim

What is next?

- ▶ The next stage date is 1 April 2020 at the earliest, with Making Tax Digital for Income Tax.
- ▶ The criteria of threshold is still to be confirmed, but a potential £85,000 may remain.
- ▶ Submission will be quarterly, with a extra final one once your accounts have been prepared to finalise your annual figures against the 4 quarterly ones filed.

Making Tax Digital

- ▶ Software available that our clients use that will be compatible
 - ▶ Xero
 - ▶ Free Agent
 - ▶ Sage
 - ▶ QuickBooks



Benefits of Xero



What is Xero?

- ▶ An online cloud book-keeping package that helps you complete your financials any time, any where. They even have the mobile app so you can create invoices on the go.
- ▶ Over the past few years, Xero has become a leading developer in cloud software with integrations with online banking, HMRC, payroll and third party Apps.
- ▶ They have been striving to ensure that their system and workflows are simple and efficient for all users.

What are the key features of this platform?

- ▶ Bank feeds (online banking or direct)
- ▶ Auto suggest bank reconciliation, that also links with Sales & Purchases
- ▶ Sales invoicing, along with auto payment reminders function
- ▶ Customisable user access
- ▶ Syncing via API with other Apps such as PayPal, Stripe, E-commerce, CRM systems, complex stock management systems
- ▶ Mobile Apps with Xero itself; including Xero Expenses, Xero Me (payroll), Xero projects

VAT returns on Xero

- ▶ In a few simple clicks you can view your VAT report on screen ready to file with HMRC.

VAT Return
Demo Company (UK)
For December 2018

[Add Summary](#)

VAT Return Details

Registration Number	GB 123456789
VAT Scheme	Cash Scheme
Period covered by the return	Monthly
Late VAT Claims included	No (Previous period has not been filed)
From	1 Dec 2018
To	31 Dec 2018
The deadline for submitting this return online is	7 Feb 2019

VAT Calculations

VAT due this period on sales and other outputs	1	1,931.52
VAT due in this period on acquisitions from other EC Member States	2	0.00
Total VAT due (the sum of boxes 1 and 2)	3	1,931.52
VAT reclaimed in this period on purchases and other inputs (including acquisitions from EC)	4	1,688.22
VAT to Pay Customs	5	243.30

Sales and Purchases Excluding VAT

Total value of sales and all other outputs excluding VAT (including supplies to EC)	6	11,652.60
Total value of purchases and all other inputs excluding VAT (including acquisitions from EC)	7	8,522.39

EC Supplies and Purchases Excluding VAT

Total value of all supplies of goods, excluding any VAT, to other EC Member States	8	1,995.00
Total value of all acquisitions of goods, excluding any VAT, from EC Member States	9	0.00

Ready to file your return?
Filing via Xero enables any late claims to be included in future returns.

[File VAT Now...](#)

How can it improve the efficiency of your business?

- ▶ Bank Reconciliation. It imports the bank statement straight in, ready for you to reconcile. It will auto suggest anything it matches in the system, and even remembers where you posted any costs to before, if you regularly purchase from the same place.

The screenshot displays the 'Reconcile (28)' interface in Xero. It is divided into two main sections: 'Review your bank statement lines...' and '...then match with your transactions in Xero'.

Review your bank statement lines...

	Spent	Received	
<input checked="" type="checkbox"/> 21 Sep 2018 Truxton Property Management Rent	debit 1,181.25		<input type="button" value="OK"/>
<input checked="" type="checkbox"/> 21 Sep 2018 Ridgeway University INV-0035	other	6,187.50	<input type="button" value="OK"/>
<input checked="" type="checkbox"/> 22 Sep 2018 City Limousines 0017-Part	other	100.00	<input type="button" value="SAVE"/>

...then match with your transactions in Xero

	Spent	Received	
<input checked="" type="checkbox"/> 21 Sep 2018 Payment: Truxton Property Management	1,181.25		<input type="button" value="Match"/> <input type="button" value="Create"/> <input type="button" value="Transfer"/> <input type="button" value="Discuss"/> <input type="button" value="Find & Match"/>
<input checked="" type="checkbox"/> 18 Sep 2018 Ridgeway University Ref: INV-0035		6,187.50	<input type="button" value="Match"/> <input type="button" value="Create"/> <input type="button" value="Transfer"/> <input type="button" value="Discuss"/> <input type="button" value="Find & Match"/>

Below the second table, there is a 'Discuss' button with a red asterisk and a text box containing the message: 'This is for an old invoice, I wasn't sure where to code it.' Below the text box is a 'SAVE' button and a note: 'Ctrl+S at any time to save'.

How can it improve the efficiency of your business?

- ▶ Sales invoices. By creating your sales invoice online and straight through your book-keeping package there will be no requirement for recording this again at a later date, it is there ready to match to money coming in the bank.
- ▶ Plus on Xero you can email your invoices directly to your customers with a few clicks.

The screenshot displays the Plus Accounting software interface. In the background, an invoice for 'Demo Company (UK)' is visible, titled 'Invoice INV-0047'. The invoice details include a table with columns for 'To', 'Date', 'Due Date', 'Invoice #', and 'Branding'. The 'To' field is filled with 'Plus Accounting', 'No address', and 'Add address'. The 'Date' is '15 Oct 2018', 'Due Date' is '14 Nov 2018', 'Invoice #' is 'INV-0047', and 'Branding' is 'Standard'. Below this, there is a table with columns for 'Item Code', 'Description', and 'Quantity'. The 'Description' is 'For help with Making Tax Digital' and the 'Quantity' is '1.00'. The invoice total is '300.00'. In the foreground, a 'Send Invoice' dialog box is open. It contains the following fields: 'To' (admin@plusaccounting.co.uk), 'From' (Emma Hardwick), 'Reply to' (emmah@plusaccounting.co.uk), 'Email template' (Sales Invoice: Basic), and 'Subject' (Invoice INV-0047 from Demo Company (UK) for Plus Accounting). The 'Message' field contains the following text: 'Hi Plus Accounting, Here's invoice [INV-0047](#) for £300.00, which is due on 14 Nov 2018. View and pay your bill online: [Online Invoice Link] From your online bill you can print a PDF, export a CSV, or create a free login and view your outstanding bills. If you have any questions, please let us know. Thanks, Demo Company (UK)'. At the bottom of the dialog box, there are three checkboxes: 'Include files as attachments' (unchecked), 'Include PDF attachment' (unchecked), and 'Mark as sent' (checked). There is also a checkbox for 'Send me a copy (emmah@plusaccounting.co.uk)'. The 'Send' button is highlighted in green.

How can it improve the efficiency of your business?

- ▶ If you keep your bank account up to date, you will have an up to date position of your debtors in order for you to track your debt control.

Sales >
Invoices

New Invoice ▾ New Credit Note Send Statements Import Export Invoice reminders on

All Draft (2) Awaiting Approval (0) Awaiting Payment (15) Paid Repeating

Print Email Deposit More ▾ No items selected

<input type="checkbox"/>	Number	Ref	To	Date ▾	Due Date	Overdue by	Expected Date
<input type="checkbox"/>	INV-0045		Plus Accounting	31 Oct 2018	31 Oct 2018		
<input type="checkbox"/>	INV-0047		Plus Accounting	15 Oct 2018	14 Nov 2018		
<input type="checkbox"/>	INV-0043	PO APU2507182968	The Hut.com	1 Oct 2018	15 Nov 2018		
<input type="checkbox"/>	INV-0038	GB1-White	Bayside Club	28 Sep 2018	8 Oct 2018	7 days	16 Oct 2018
<input type="checkbox"/>	INV-0037	Ref MK815	Marine Systems	27 Sep 2018	7 Oct 2018	8 days	9 Oct 2018
<input type="checkbox"/>	INV-0036		Basket Case	26 Sep 2018	6 Oct 2018	9 days	

How can it improve the efficiency of your business?

- ▶ By all users having specific user access you can allocate areas to other members of staff, such as quoting, statements, posting the purchase bills.
- ▶ There are even Apps that integrate with Xero to capture your receipts on the go using AI automation technology - you won't even need to manually enter these yourself!
- ▶ We are Receipt Bank partners, and already it is saving hours of data entry time for us and our clients.



How can it improve the efficiency of your business?

- ▶ All this adds to having the real live data that you can work with, profit and loss reports at the end of every week, fortnight, month that you can run and know where you are with your business.

Profit & Loss					
Demo Company (UK)					
For the month ended 31 October 2018					
Add Summary					
	Oct-18	Sep-18	Aug-18	Jul-18	YTD
Income					
Sales	12,823.29	10,984.20	8,441.13	5,620.67	39,702.63
Total Income	12,823.29	10,984.20	8,441.13	5,620.67	39,702.63
Less Cost of Sales					
Purchases	0.00	1,950.00	0.00	0.00	1,950.00
Total Cost of Sales	0.00	1,950.00	0.00	0.00	1,950.00
Gross Profit	12,823.29	9,034.20	8,441.13	5,620.67	37,752.63
Less Operating Expenses					
Advertising & Marketing	0.00	7,044.79	1,666.67	0.00	8,711.46
Audit & Accountancy fees	0.00	46.96	46.96	46.96	140.88
Bank Fees	0.00	0.00	15.00	15.00	30.00
Cleaning	0.00	0.00	0.00	99.23	99.23
Entertainment-100% business	0.00	18.33	0.00	26.33	44.66
Foreign Currency Gains and Losses	0.61	0.00	0.00	0.00	0.61

The Plus Approach

If you would like to discuss any of the matters raised in this presentation, please contact me on;

emmah@plusaccounting.co.uk

Twitter: @CloudGuruGirl

www.plusaccounting.co.uk

Thank you!

