

**Making Tax Digital (MTD) – Businesses**

**Coming Soon – April 2018**



**RZ Associates**  
*incorporating Quick Tax*  
Chartered Accountants  
Chartered Tax Advisors

## **Making Tax Digital ('MTD')**

MTD is the most significant change in the way businesses are required to report to HMRC since the introduction of self assessment in 1997.

You may or may not have heard about 'Making Tax Digital', HMRC's drive to digitise the tax system. What you probably do not appreciate is what this means for you and your business? RZ Associates believe that it's important that you understand these changes and that we are able to assist you in the transition to MTD.

The aim of MTD is to make all but the very smallest businesses maintain their accounting records on digital software, as well as abolishing the self-assessment income tax return as we know it by 2020.

Businesses that do not currently use smartphones, software or computers will be obliged to do so. HMRC says that 'free' software will be available to use from April 2017 but this will probably only be available to the smallest businesses who are not VAT registered and do not employ staff.

## **Quarterly returns**

**Businesses, landlords and companies with a turnover in excess of £10,000 per annum will be required to make quarterly returns of accounting information directly from their accounting software.**

**The deadline for these quarterly returns will be 1 month following the end of the quarter. The quarterly returns don't necessarily have to reflect all the end of year journal and tax adjustments that we, as accountants, often assist with. Businesses will have 10 months from the end of the accounting period to submit final figures.**

**The requirement to submit online quarterly returns for many sole traders, partnerships, landlords and companies will be a significant change for you. We suggest you start preparing now for these changes.**

### **Annual Declaration**

All individuals, businesses, landlords & companies will be required to complete an annual declaration. HMRC may attempt to pre-populate the year end declaration of business and landlords with data already submitted via the quarterly return figures.

Whether or not HMRC does pre-populate the declaration, businesses will still need to reconcile their quarterly returns to the end of year declaration.

### **Penalties**

HMRC are also introducing a new late filing penalty system that will apply to quarterly returns and annual declarations.

The imposition of penalties will initially be delayed by 12 months.



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## When do these changes take effect?

**April 2018** Sole traders, partnerships and landlords whose turnover exceeds the VAT threshold, which is currently £85,000 per annum, will be required to make quarterly returns of accounting information directly from their accounting software.

**April 2019** Remaining sole traders, landlords and partnerships whose turnover exceeds £10,000 will be required to make quarterly returns of accounting information directly from their accounting software.

Most businesses and landlords will be required to update HMRC quarterly for VAT obligations through their accounting software.

**April 2020** All other businesses, mainly companies and large partnerships, will be required to make quarterly returns of accounting information directly from their accounting software.

### Summary

- Business accounting records must be kept digitally (although no requirement to keep digital copies of invoices or receipts)
- Quarterly reporting for sole traders, landlords & partnerships whose turnover exceeds the VAT registration threshold (currently £85,000) from April 2018
- Sole traders, landlords & partnerships with turnover above £10,000 not previously required to do so will need to comply with quarterly reporting from April 2019
- VAT submissions via software from April 2019
- Quarterly reporting for companies & large partnerships from April 2020
- Quarterly reports to be submitted within 1 month
- 10 months following accounting period end to submit final figures via an annual declaration
- New late filing penalties to be

### How can we help?

RZ Associates can provide advice and assistance in your transition to 'Making Tax Digital.' This includes reviewing your requirements, recommendation and implementation of an accounting solution that suits your own requirements as well as ensuring that you are ready to comply with quarterly reporting.

We also provide a cloud bookkeeping and accounting software solution for you to use.

Please call or email us to discuss your business and personal needs



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