



A guide for accountants
January 2019

Making Tax Digital

*Your Questions
Answered*



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1. What is Making Tax Digital?

Making Tax Digital is a key part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs. This initiative will make HMRC the most digitally advanced tax administrations in the world.

Making Tax Digital is making fundamental changes to the way the tax system works – transforming tax administration so that it is:

- more effective
- more efficient
- easier for taxpayers to get their tax right

If you are an accountant your clients are affected, we recommend [start preparing](#) as soon as possible.

2. When does Making Tax Digital start?

Making Tax Digital for business (MTDfb) begins on 1 April 2019 with MTD for VAT. From that date, VAT-registered businesses above the threshold of £85k will have to keep digital records and submit VAT returns using compatible

3. Who does MTD for VAT impact?

From April 2019, VAT registered businesses (including the self-employed, landlords, unincorporated businesses, companies, LLPs and charities) with turnover above the VAT registration threshold (currently £85,000) will have to:

- Keep their records digitally (for VAT purposes only)
- Provide their VAT return information to HMRC through Making Tax Digital compatible software such as Xero

4. Will there be free software?

It remains unclear whether or not HMRC will provide free software, however this looks increasingly unlikely. In any case, free software is unlikely to be maintained or have the benefits which a commercial software provides.

We are providing free software to accountants as long as you outsource your bookkeeping to us. To know more request your [free consultation](#).

5. Where can I find the software?

HMRC has provided a list of software suppliers who are developing MTD-compatible software. This doesn't mean all the software from the listed suppliers will be [MTD-compatible](#) and you should enquire with the supplier directly or get in touch for a [free consultation](#).

6. Should I use a bridging software or accounting software?

Essentially, consider the bridging software option if you use spreadsheets or have particularly complex arrangements. For most other users, the accounting software options may be where you'll find your supplier.

7. Can I use spreadsheets?

HMRC will consider spreadsheets an acceptable form of recording information, but bridging software will be required to connect to HMRC's systems via an Application Programming Interface (API). HMRC are not issuing a standard format or API meaning a third party would be required to develop this. To see how QXAS can help you with bridging software, book your free [30-minute MTD consultation](#).

8. Will HMRC now see all transactions on our clients' VAT returns?

No, the submission to HMRC will still only be the nine (9) summary boxes on the VAT return. The detailed transaction data will not be submitted to HMRC.

9. What benefits are there to going digital?

Other than keeping compliant and avoiding penalties, there are significant benefits to going digital in respect of security, efficiency, automation, integration, reporting, collaboration, real-time info creating opportunities for tax planning & strategic decision making.



10. Will agents have to be approved for MTD and what is the subscription process?

Agents will be required to register for Agents Services to allow them to act on behalf of their clients. To register, you will need to request a new, “clean” set of user credentials from the government gateway and carry out a mapping process in order for any existing 64-8 relationships to be carried over. Our [ASA guide](#) explains the step-by-step process for creating an Agent Services Account.

11. Do all clients have to start keeping digital records? Or is it a case of accountants investing in their own systems so they can comply with MTD for clients?

As per HMRC digital records should be kept and it does not mean digital copies of invoices and receipts as it is restricted to digital records only so it is up to client whether they do this themselves or employ a bookkeeper or agent to help them for Digital record keeping.

12. My client's business is not VAT registered but they are interested in going digital, where can I find out more and can I opt them into MTD?

Yes, businesses can voluntarily opt into MTD. Please [contact us](#) for more details.



13. Are there penalties if a sole trader doesn't file quarterly information or is late sending it in?

HMRC has indicated there will be a 'soft-landing' for a short period but the details are yet to be published.

14. What is HMRC doing to get MTD details to the self-employed or small businesses that don't use agents?

HMRC plans to start advertising the changes to the taxpayer directly much closer to the launch of the mandate.

15. Will the quarterly returns replace the annual Self-Assessment return?

Yes, for some they will replace the annual Self-Assessment return. Trading and L&P income will need to be reported quarterly, and there will still be an end of year activity in which all other income is supplied/confirmed.

16. Will completion of a Self-Assessment tax return continue for clients not covered by MTD quarterly filing? For example, for high wealth individuals with investment income and capital gains?

Yes, that is correct. Self-assessment returns will continue for those that MTD does not apply to. MTD quarterly submissions only apply to trading and L&P income.



17. Are tax payment dates changing?

HMRC has said there are no plans for changing the payment dates for taxes reporting under MTD. VAT will continue to be paid quarterly, and income tax paid in three instalments. Corporation tax is paid in quarterly instalments by large companies already. Companies with profits of over £20m will be required to pay their CT instalments earlier from 1 April 2019.

18. How much does the QXAS Free MTD software cost?

As long as you [outsource your bookkeeping](#) to us for £15/hour, there's nothing to pay for MTD compliant software. That's 100% cheaper than what it would take if you purchased software and managed it in-house!

19. I have a question that isn't answered here.

[Contact us](#) and we'll be happy to answer your questions directly.

How can QXAS help with Making Tax Digital?

Our trained MTD experts will help you prepare for Making Tax Digital in advance of April 2019. Take our free [30-minute consultation](#) to receive a customised action plan with next steps for your accountancy practice.

- Visit: qxas.co.uk/services/making-tax-digital-outsourcing
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