



2019

MAKING TAX DIGITAL
ARE YOU READY?

CWP
Chartered Certified Accountants

Business &
Tax Advisors



Making Tax Digital in the UK

HMRC have set out their intentions to become one of the most efficient tax authorities in the world by enhancing the customer experience whilst also closing the tax gap. As per HMRC – this will be helping them reduce the amount of unpaid tax which they say numbers around £9 billion*.

They aim to do this through the Making Tax Digital initiative, which will transform how HMRC deal with their customers.

Making Tax Digital The Importance

“Information and data are at the heart of everything in today’s economy. The speed at which data can be captured and shared has created a world that connects businesses better than ever before”

The world of cloud accounting connectivity is in full swing. You’ll have heard about all the integrations with online accounting software, the inevitable Making Tax Digital (MTD) and the move to digital strategies being top of the agenda for government departments HMRC and Companies House.





MTD for VAT is almost upon us. Use of the Government Gateway will be withdrawn for the cohort of businesses eligible for MTD VAT and third-party software will be used for most VAT returns from April 2019. This is only possible due to HMRC creating APIs that allow software houses to ask for VAT periods; viewing previous VAT returns; requesting latest payments and liabilities, and submitting VAT returns.

Applications are having millions of conversations without the need of heavy human involvement because of API development. The opportunity for businesses and their accountants to harness the power of new technology is the most significant change in our industry for decades.



Who does it affect?

Making Tax Digital (MTD) covers both individuals and businesses across a number of taxes.

For businesses over the VAT registration threshold, VAT is the first tax selected for digitalisation in the UK. This will take effect from 1 April 2019 for most businesses. For Income Tax and Corporate Tax, MTD will not be mandated until April 2020 at the earliest.

So what does this mean for VAT registered businesses?

There are three key digital components of Making Tax Digital for VAT:

1. Digital records

Although this does not mean businesses will have to store each invoice and receipt digitally, the transaction data will need to be stored digitally.

2. Digital links

VAT returns must have digital links to digital records – spreadsheets can remain, but they will need 'digital links' to source systems.

3. Digital submission

At present, most businesses or their agents submit their VAT returns through manually re-keying into HMRC's online portal. This will no longer be permitted once Making Tax Digital comes into force and instead, VAT return submissions must be done digitally via HMRC's Making Tax Digital API.

Learn how we can help you submit your VAT returns from April 2019

We will manage the analysis of your financial transactions on cloud software. Currently, we are in partnership with Xero to provide support to all of our clientele ensuring a smooth transition to MTD.

We are also working with various other accounting softwares that are compatible with MTD so you do not have to necessarily choose Xero and can ask for our assistance in ensuring your current software is designed according to the MTD requirements.



CWP can help...

We can help your business in assessing its position and get ready for MTD in three stages:

System Assessment: carrying out an analysis of your current VAT returns process to establish what the organisation will need to do to become compliant from April 2019.

Systems Readiness: we can advise on the most efficient accounting and internal control system and assist with its sourcing, designing and implementation, thus ensuring regulatory compliance.

Digital Tax Reporting: we can help your business develop systems in readiness for a requirement under MTD for digital and automated tax return processes mandatory from April 2020.

While working tirelessly on this MTD project since December 2017, we are proud to have completed the above processes for all of our clients so they can meet all the regulatory and compliance requirements without any hassle.

That is why our clients appreciate being with us. Most of them did not even have to do anything other than asking us to "go ahead with it".



How we can help businesses



We will share the online portal with you so you can see your financial reports in real time.

Depending on your existing tax and financial systems and processes, the switch to MTD for VAT may be relatively straightforward, using an appropriate software provider where you can link in existing data extracts. Alternatively, you may see this as a chance to transform the processes enabling your VAT return production and submission.

We see it as an opportunity to get you ready for April 2020 deadline when your business will be required to prepare and submit quarterly financial statements replacing the requirement to submit accounts once a year; 9 months after the year-end to Companies House and after 12 months of the year-end to HMRC. You will be preparing and submitting on average four sets of financial statements to HMRC and pay the taxes accordingly.

This will be a very time-consuming exercise if you chose to do it manually or in spreadsheets. The transition of your accounting systems to Xero or any other softwares will make it possible for you to adapt to new changes without any hassle. Your bank will be directly fed into the software and after your accountants or bookkeepers manage the postings and reconcile the bank, it will become efficient to prepare the accounts especially with such a time restraint.

Some businesses may feel it's a burden. In reality, frequent interactions should be a lot more efficient because there won't be big backlogs of work to get through.

More frequent submissions will also help your business avoid nasty surprises. Big tax bills can accumulate over the course of a year but when the tax is calculated quarterly, things are far less likely to get out of hand. The new system will also create more opportunities for us to help you with tax planning.

(source: xero.com)

As a bonus, online accounting software also allows you to:

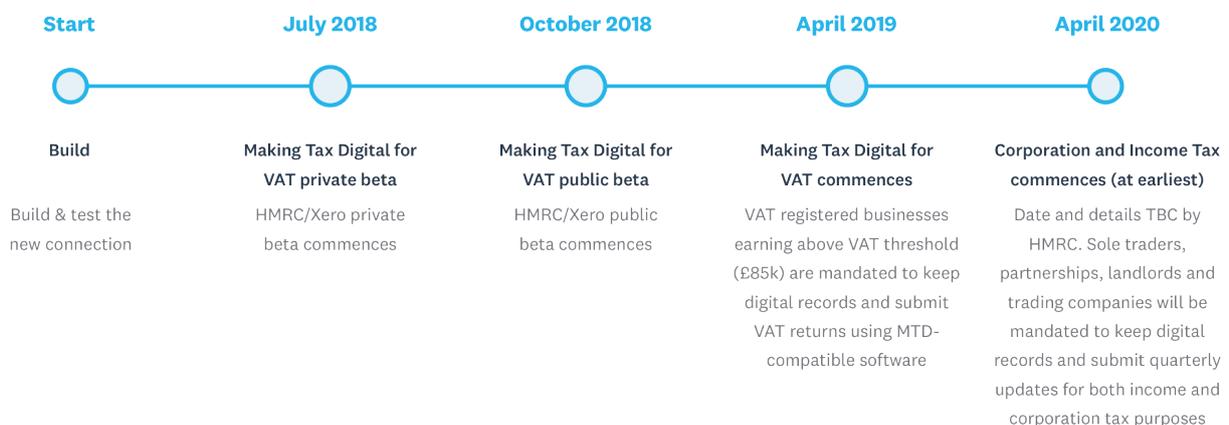
- Access the business's accounts from anywhere there's internet.
- Create 'bank feeds' so transaction data flows straight into the ledger.
- Collaborate online by leaving and receiving messages within the software.

These changes are here to stay and there's never been a better time to learn, understand and utilise these in your business. The possibilities are endless...

We can also help with:

Training your bookkeeping and finance team on Xero or any other MTD compatible softwares to ensure records are kept digitally and financial transactions are reconciled in accordance with the requirements.

When does it all happen?



In the current climate of "digitization" and the need of "preparation" to accept and adopt innovation on a business system, we may well have an interesting time ahead of us.

I am sharing an extract from one of my favourite books written by management guru Charles Handy; a thought-provoking manifesto The Second Curve.

We have to contemplate a day when most factories – if they are still called that – are largely staffed by robots and call centers by talking computers, when cars, lorries and trains are increasingly driverless, when cooking is fully automated, the menu of your choice brought by robot to your table, when most shopping is online and entertainment on tap in your lounge or bedroom. Much of our lives will be organised by algorithms and computer-controlled systems. It will be, some say, a world where humans service the machines rather than the other way round, science-fiction becomes fact. The new servants, better-termed technicians, will need to be highly skilled, but, and here's the rub, few in number.



I am unconvinced. Computers and the internet of things may remove some of the drudgery of life, but we humans will not lightly surrender our lives to machines, particularly when those machines may one day be able to think for themselves. People will always congregate to create things, to gain power or influence, to make money or to help and care for others, things machines cannot do. There will always be organisations and places of work with the conflicts and excitements that come when people seek to do things together. The world of work may look different and be arranged and organised differently but there will always be organisations of some sort.

The new fashion for this virtual connectivity means that our laptops are effectively our offices and, of course, they need not reveal to anyone where we physically are. Convenient though that is, it also means that I can never leave my office. Unless I am disciplined enough to turn off all the technological gadgets I am more enslaved, not less. It is not religion that is today the opium of the people, as Karl Marx once suggested, but the smartphone. Where once people took comfort in their rosary or worry beads now some seem unable to sit without gazing at the small screen in their hand, twittering to all and sundry, pressing 'reply all' too automatically and 'delete' too seldom. The new worry is that people are over-communicating because of this new peripatetic office, leaving too little space for reflection and contemplation.



Here is when you need us:

We at CWP Accountants are aiming to assist and guide you in the right direction of digitization without letting you get any harmful effect of "making tax digital".

We plan and perform on your behalf with accuracy and dedication.

Those; who have worked with us as our friends and clients know how we promptly welcome and get prepared for any changes in the accounting profession.

We always seek an opportunity to assist your business in achieving success in a clearer and more monetary manner.

We can assure you, with all responsibility that the Making Tax Digital strategy & solution we have would help your business become fully compliant.

For more information on the topic, please contact a member of our tax team on 01616600600.





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