



## The 'Making Tax Digital' clock is ticking on .....

Although Making Tax Digital (MTD) was first announced back in 2015, a recent report commissioned by HMRC revealed that there is still a widespread lack of knowledge of the transition. From 1 April 2019 businesses with a turnover above the £85,000 VAT threshold will have to keep digital records for VAT purposes. The VAT returns must be MTD compliant using API enabled software. 1.2m businesses will be affected and they now have less than six months to plan for the change and ensure that their software is MTD compatible.

The original introduction was delayed following consultation with the government. Initially MTD was supposed to start on 1 April 2018. However, Business minister Kelly Tolhurst has stated that there will be no further delay, even though there have been warnings from the Federation of Small Businesses that many of the businesses affected are either unaware of MTD or still not in a position to comply. To answer these concerns she said:

"We're making sure the communication is there so small businesses know exactly what they've got to do. Digitalisation is the way to go. It's all about making it easier for business, but it's rightly down to us to sell it to businesses and make sure they understand what the benefits are."

HMRC began an initial private pilot scheme back in April with a small select group of businesses and their agents. This was expanded over the summer and HMRC released a press statement on 16 October to announce that it had invited more than half a million businesses whose affairs are up to date and straightforward to join the pilot scheme ahead of the new rules coming into force in April. It is hoped that it will be extended to other business types over the coming months. HMRC also stated that it had listened to concerns and will give a small group of customers with more complex requirements, for example local authorities, NHS trusts, public corporations and traders based overseas, a further six months to prepare.

Mel Stride MP, Financial Secretary to the Treasury, said:

"HMRC is transforming the tax administration so that it's more effective, more efficient and easier for taxpayers. This announcement means that around half a million businesses will be able to join MTD and start filing their VAT returns online making it easier to get their tax right first time.

"More and more businesses use digital tools every day to help them operate – tax shouldn't be different. This is a major step towards bringing VAT into the 21st century."

If you have any concerns regarding MTD please seek advice from your accountant.

**Published in the Wigan Observer – 30<sup>th</sup> October 2018**