



Making MTD work for you

2019 is going to be a busy year for many UK businesses – with the unknown outcome of Brexit to plan for and also the first phase of Making Tax Digital (MTD) coming into effect.

VAT registered traders with turnover in excess of the current VAT registration limit of £85,000 will need to file returns linked to HMRC's MTD systems after the 1 April compliance deadline. Accounts software providers have been working at some pace to change their software, so they "speak" to HMRC's MTD servers using a dedicated link called an API (an application program interface).

Businesses that use spreadsheets to maintain their VAT records can continue doing so under MTD. The software must be able to record and preserve digital records, and provide HMRC with information and returns using data from those records via HMRC's API. If the spreadsheet software can't do this, for example if data is just cut and pasted from a spreadsheet into accounts software - this will not be sufficient for MTD purposes. 'Bridging software' will need to be used which will provide the link to HMRC. However, HMRC has said that they will allow a period of time – a soft landing – for businesses to have digital links in place on or before 31 March 2020.

A recent survey suggests that only 57 per cent of businesses affected are ready for the MTD deadline. Although many view MTD as another burden, it is possible to make it work for you to enhance your business.

By bringing a company's accounts into the digital age it also creates a new standard for record-keeping. Spreadsheets are being replaced by more streamlined software - and in the uncertain business environment of present, this can be highly beneficial as it makes accurate forecasting and real-time insights into the business possible.

According to the British Chamber of Commerce, 69 per cent of the UK's small to medium enterprises are now using cloud-based applications. In today's 'always on' culture, MTD goes hand in hand with the fast pace of technology. Many businesses will embrace these changes and use MTD as a tool for updating their current accounting systems, but for those who feel left behind - their accountant should be able to offer the help and guidance needed.

As 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 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.”

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