

## **Making Tax Digital**

To help ease the burden on businesses during the pandemic, HMRC delayed Making Tax Digital (MTD) Phase 2, which was originally supposed to come into force on 1 April 2020. This next stage of the MTD regime will now resume on 1 April 2021. The regulation will affect over 1 million UK VAT-registered businesses.

### **Automated workflow**

From this date, all UK VAT-registered businesses with taxable turnover above the £85,000 VAT registration threshold (with a few exceptions) will have to keep records in fully digital form and file VAT returns using MTD compatible software.

When MTD was introduced in 2019, businesses could use spreadsheets that were not fully digitally compliant to keep records and transfer data for digital filing. But for VAT periods starting after 31 March 2021, the manual transfer of data will not be allowed.

Once data has been entered into the software used to keep and maintain digital records, digital links will have to be used with no manual intervention for all further transfers, recaptures or modifications of the data. Businesses will still be able to make some calculations outside the digital records software, for example for a capital goods scheme adjustment.

### **Plans to increase scope**

In another change, from 1 April 2022, compulsory MTD filing will be extended to the

one million voluntarily registered businesses trading below the VAT registration threshold.

Further ahead – from 2026 at the earliest – HMRC has indicated that it intends to widen the scope of MTD to corporation tax. Every company will need to keep digital records and use MTD-compatible software to submit their annual company tax returns and provide quarterly updates of income and expenditure to HMRC.



### **The digital age**

By bringing a company's accounts into the digital age, it 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.

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.

***Published in the Wigan Observer 16<sup>th</sup> March 2021***