

Updated June 2017

Making Tax Digital

What are your duties?
How can Base52 help you?



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What is happening?

HMRC is aiming to interact digitally with all taxpayers over the next five years. The government has said it wants the tax system to operate in real time to produce a streamlined collective hub of tax information. Every business and individual will have their own personalised space on HMRC's website, called a Digital Tax Account, which contains all their tax information. The requirement for regular submissions made to this tax account ensures any information held is always accurate.

Pensions, employment and savings information will be automatically added to digital accounts. This means that taxpayers no longer need to submit the same information more than once. This has been the case with the current tax return; for example an employee must add their P60 details on their return, even though HMRC may hold that information elsewhere.

Increasingly, we will all be using software and apps which will provide a user-friendly approach to sending business information to HMRC. Tax information can be submitted via computers and smartphones, either by taxpayers or their agents.

For PAYE, real-time data will be used to the extent that income, benefits-in-kind and personal allowances are analysed on a monthly basis. This will keep incorrect payments to a minimum or, in most cases, remove the possibility of them occurring altogether.

When does it happen?

Most businesses will submit digital data to HMRC by 2020. Following the 2017 spring budget, digital tax accounts will now be introduced for landlords and the self-employed from 6 April 2018. While HMRC are consulting on these approaches, there may still be some changes to the dates below.

2017

- Individuals and businesses have access a personal digital tax account.
- Automatic tax code allocations and adjustments begin. The intention is to reduce and eventually prevent PAYE under- and overpayments.

2018

- Businesses, landlords and the self-employed with a turnover above the VAT threshold are required to begin quarterly submissions through digital tax accounts.
- Bank interest and tax paid on bank interest appears on individual's digital accounts.

2019

- Businesses, landlords and the self-employed with a turnover below the VAT threshold begin quarterly submissions by digital tax accounts.
- Businesses begin filing quarterly VAT submissions through digital accounts.
- Users will see how NI contributions affect their state pension.
- Capital Gains Tax is brought in line with income tax, becoming payable within 30 days of any residential property disposals.

2020

- Full range of services available through digital tax accounts
- Quarterly Corporation Tax submissions for most businesses via third party accounting software.

How does it affect me and my business?

The main feature of the digital tax accounts is the requirement to submit information to HMRC on a quarterly basis.

Following the quarterly returns, an End of Year declaration is then required, summarising the quarterly returns.

Contrary to some beliefs, this does not mean four separate tax returns need to be completed. Once a quarter, a business checks the existing information on their digital tax account, before simply clicking 'send' to update HMRC's database.

Apps will be available to feed information directly to a digital tax account. HMRC have said they will offer free software or apps, but third party commercial software will still be accepted. Upgrades will be rolled out gradually allowing users to submit data to HMRC electronically. Agents will also have access to the same information via this software.

A useful feature will be prompts to alert certain taxpayers with assistance or advice when they have specific needs; for example if they are approaching retirement or dealing with VAT for the first time.

Real-time PAYE updates will benefit taxpayers with more than one job or those with low income, as this will remove the need to contact HMRC to adjust how their personal allowances are shared.

The taxpayer will be able to choose how their allowances are allocated themselves via their digital tax account.

If a taxpayer has more than one liability, tax owed on one liability can be offset against an overpayment on another. Effectively, the taxpayer pays a single tax, which is allocated accordingly and the allocations can be viewed in their digital account.

There is ongoing consultation on whether a pay-as-you-go system will be implemented to help manage cashflow. The idea behind this is to offer as much flexibility to taxpayers as possible when paying any liabilities.

Taxpayers can also request repayments if they have an account in credit, should monies be needed urgently in the business (for example, the unexpected replacement of an asset).

HMRC have advised that those individuals who are only in employment or pensioners will not be affected by these new measures. Individuals who have a secondary income of more than £10,000 from self-employment and/or property will be required to follow the new legislation. Those who have turnovers below £10,000 will be exempt from having to file accounts digitally.

What steps do I need to take to make sure I am compliant?

The three key steps to follow are:

1. **Keep your agent updated:** inform your agent of any changes in circumstances so that your account can be accurate when quarterly submissions are made.
2. **Update any software:** existing commercial software should be up to date in order to successfully submit correct information to HMRC on a regular basis.
3. **Record keeping:** establish a routine of keeping records to make the submission easier and quicker, with fewer errors or estimations.

How can Base52 help you?

- Assist with your quarterly and End of Year submissions
- Do the work involved to create your submission
- Make any necessary changes to your digital tax account
- Advise what information is required and when
- Keep you informed on submission deadlines
- Update you on any legislation changes that might affect the way your accounts are filed
- Guide you through the process of using any software provided by HMRC
- Agents have access to digital accounts and can advise of any extra tax relief that may become available if your circumstances change.

If you would like Base52's advice and assistance with any aspect of compliance with Making Tax Digital, please contact us:

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