

Making Tax Digital – made easy

HMRC has confirmed plans to introduce the initial phase of Making Tax Digital (MTD) and businesses with a turnover in excess of the VAT registration threshold will be expected to keep digital records and file their VAT returns via 'functional compatible software' with effect from 1 April 2019. Businesses within the threshold now have nine months to prepare and implement compliant systems and ensure data is accurate, timely and complete. The count-down has started.

In a Policy paper published in July 2017, HMRC stated:

"The majority of customers want to get their tax right but the latest tax gap figures (2014 to 2015) show too many find this hard, with a cost to the Exchequer of over £8 billion a year due to avoidable taxpayer mistakes. In 2014 to 2015 over £3.5 billion of revenue was lost due to these mistakes in VAT returns alone.

"A modern tax system, based on digital technology will make it easier for businesses to get their tax right. Reducing the amount of avoidable errors will also reduce the cost, uncertainty and worry that businesses face when HMRC is forced to intervene to put things right."

HMRC expects a revenue yield of around £400m per annum once MTD for VAT is fully embedded and a 'steady state' is reached. These figures are based on estimates from the Chartered Institute of Tax which were extrapolated from published figures. The commercial necessity to get MTD right from the start is compelling. VAT will be the first element of tax to be made digital. Once established and embedded, other tax systems are due to following 2020.

In keeping with the UK plans, other European countries have already created or are planning similar systems. In June this year, Spain announced that it is imposing penalties up to 1% of the turnover of the company for the fiscal year for non-compliance with its 'Immediate Supply of Information' rules. Whilst HMRC is proposing a 12 month soft-landing period, it has also published details of a proposed penalties system for late submissions and payments under MTD, confirming it plans to pursue a points-based model.

So, whilst MTD is a key part of the Government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs, it is expected that there will be a cost to businesses. Minimising this cost is vital to maintaining your businesses competitive edge. MTD will be a significant change for the majority of businesses.

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What are the key changes and requirements?

Under MTD, the following information must be kept using 'functional compatible software' approved by HMRC:

- the taxable person's name, address and VAT number, plus any VAT accounting schemes it uses;
- the time and value of each supply made and the VAT rate charged;
- the time and value of each supply received, plus the amount of input tax to be recovered;
- the amount of any adjustment or corrections;
- the VAT exclusive value of each of the following outputs: standard rated, reduced rated, zero-rated, exempt or outside the scope.

The challenges

MTD will make the VAT affairs of businesses more transparent to HMRC in a much shorter space of time than is currently the case. Before the new regulations come in to force, businesses will face the challenge of ensuring they have the right software to interface with HMRC systems and that the VAT records are produced on time, complete and accurate. Moore Stephens can provide you with complete peace of mind. Our specialists in software, VAT technical requirements and data analytics can provide you MTD-compliant systems, confirm the accuracy and compliance levels of your data and develop technical solutions to identified issues.

Moore Stephens Stream – MTD compliant software

Businesses will have to start reviewing their systems and processes now to ensure that they are able to comply, and we may be able to assist. Stream is our cloud-based outsourcing solution which allows you to spend more time on your core business activities and less time on back office accounting.

The complete online finance and accounting solution allows you to view and drill down into your financial data through one easy-to-use central hub.

Key features

- A seamless, cloud-based, end-to-end bookkeeping process.
- Send invoices and expenses electronically to a dedicated email address.
- Approve your invoices and expenses easily online.
- Automatic data feeds from your bank account and other operational systems.
- Smart, real-time reporting and drilldown to help you make informed decisions.

Key benefits

- Gives you control – easy access to key data and reports anywhere in the world.
- Provides confidence that your accounts are in safe hands.
- Cost effective – all your financial data in one place.
- The efficiency of a one-stop-shop for all your bookkeeping and accounting needs

VAT data analytics and technical analysis

Moore Stephens offers a VAT data analytics service which checks the veracity of a company's VAT records and seeks to find errors and areas where improvements can be made. This process often results in claims for overpaid VAT and increased security. We can usually provide this service on a 'no win, no fee' basis.

Not all businesses keep their accounts electronically. Even some larger organisations may have an element of manual accounting within their VAT records, or use some electronic records that are outside of the main finance systems. We understand that the preparation of a VAT return is not always a simple case of extracting sales and purchase figures from accounting systems and directly transferring them to the nine boxes of the VAT return. Most organisations have to perform at least some additional calculations first, some of which (e.g. partial exemption) can be highly complex and bespoke. These are often carried out manually or on a simple spreadsheet.

Our layered technical and analytical VAT solution allows you the freedom to choose from a pre-MTD healthcheck or a full end to end review. In our experience businesses can utilise changes such as MTD to drive efficiencies in process and improve data and records management to achieve an overall benefit. This, coupled with the opportunity to reclaim any overpayments, makes our service a 'must-have' addition to management controls.

For further information on any of the above, or how MTD will affect you, please contact Terri Bruce or speak with your usual Moore Stephens adviser.

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