

TECHNOLOGY

HMRC's digital revolution

Accountancy firm **Silver Levene** gives the lowdown on the government's plans to make it easier for businesses to get their tax right and keep on top of their affairs.

The global digital revolution has taken over much of our daily lives in some form or another. From contactless payments to household appliances that can be remotely operated. Transactions are becoming more efficient and the digital revolution is rapidly transforming how businesses operate.

More companies are embracing technologies to stay ahead of the competition, aiming to become more efficient and create more time for providing value-added services to their customers. Digitisation is also being embraced by governments all over the world.

Time is of essence and businesses are now just months away from April 2019 when the much talked about Making Tax Digital (MTD) provisions will come into effect. This is the first stage of digitisation being introduced by HM Revenue and Customs (HMRC) to make tax administration more effective and efficient.

From 1 April 2019, MTD will become applicable to VAT registered businesses and organisations with a turnover of over the VAT threshold which is currently at £85,000. This will apply to sole

traders, partnerships, limited companies, trusts, charities and non-UK businesses that are registered for UK VAT. Small businesses will not be required to adopt the system but will be allowed to do so voluntarily. Businesses must follow the MTD rules from the first day of your first VAT return period that starts on or after 1 April 2019. After this date businesses will no longer be able to manually complete the nine boxes of a paper-based VAT return, or manually complete your VAT return online at the HMRC VAT portal.

Businesses that are mandated to apply MTD will be required to maintain their accounting records digitally within a suitable software or spreadsheet. They will also be required to submit their VAT returns using a functional compatible software that can connect to HMRC's Application Program Interface (API). The API will integrate the business records that are digitally maintained

with HMRC's systems. It should be noted that spreadsheets will have to be API-enabled. This means most businesses will have to invest in a suitable commercial software

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or appoint an agent (usually their accountant) to submit VAT returns on their behalf.

MTD for VAT is currently under pilot testing with invited volunteer businesses, agents and software providers taking part in the programme. Once MTD for VAT is successfully implemented, HMRC aims to introduce MTD to other areas e.g. corporation tax and income tax. These will not be in operation before April 2020 but the MTD for Income Tax pilot is already available on a voluntary basis.

The obligations of businesses and individuals for filing returns and their respective filing deadlines will not be changing. MTD will make it possible for tax payers to be able to view their tax positions on a real-time basis and update information on HMRC's systems regularly so that they can get their tax right.

Through digitisation, HMRC aims to become one of the most advanced and efficient tax administrations in the world. It claims this will enable tax payers to understand their taxes better and create more time for tax payers to plan ahead.