

Making Tax Digital frequently asked questions

1. I am keen to start recording my business records in a digital format as soon as possible – can I start now?

Yes, starting as early as possible will help you get used to the new format. Many software providers already offer digital record-keeping and we would be happy to talk through the options with you.

2. I keep all of my business records on spreadsheets – will that be a problem?

You will need to keep your records in a format that can be digitally submitted to HM Revenue & Customs (HMRC). You will therefore need to use an app or software that can link to your digital tax account. You may wish to continue using a spreadsheet to calculate your income and expenses, but you will still need the software that makes the submissions to HMRC.

3. Can Larking Gowen look after my digital tax account for me?

Yes, we can. Currently agents can't access the digital tax accounts set up for individuals, but we will be given access in due course. Once in place, we will be able to make submissions for you. In the meantime, we are still able to speak with HMRC and access your account using our software in the same way as before.

4. I usually bring all my paper invoices and business records to you once every year – can I still do that?

You can still deliver them to us but these will need to be delivered every quarter instead of once a year. We will put these in a digital format and complete the quarterly submissions to HMRC on your behalf.

5. Does this mean I now have to file four tax returns every year?

No, the quarterly submissions to HMRC are a snapshot of the business income and expenses over three months – on the basis that your digital tax account should be kept up to date during the year. These snapshots will not take into account tax reliefs, allowances, and other key accounting principles. However, the final year end submission will be able to do this.

At this stage, we don't know exactly what HMRC require you to submit, but we do know that tax will still be calculated on a yearly basis.

6. What if I don't want to use digital/online tools?

HMRC understand that digital reporting is not always an option and have said that anyone who does not wish to submit the data online can instead call an HMRC office to give them the exact same information, at the appropriate time. Alternatively, if you are averse to the digital reporting tools and would prefer Larking Gowen to manage it for you, we would be happy to do so.

7. If HMRC automatically upload all of my income into my digital account, will I still need to file a tax return?

If you don't already have a personal tax account we recommend that you register for one. Gradually (up until 2020) HMRC will be uploading sources of income automatically into your digital tax account. Once your account contains all of your sources of income you will no longer have to file a self-assessment tax return. However, you will still need to check your digital account at least once a year to make sure that HMRC have uploaded the correct information.

8. Does Making Tax Digital apply to charities?

No. Charities and Community Amateur Sports Clubs are exempt from the Making Tax Digital for Business (MTDfB) obligations. However, charity trading subsidiaries will be included in MTDfB reporting requirements. What is required will be clarified when legislation has been introduced.