



**MAKING  
TAX  
DIGITAL  
*READY***



## What is Making Tax Digital?

Making Tax Digital (MTD) is an HMRC initiative designed to make sure the UK tax system is effective, efficient and easier for taxpayers. VAT-registered businesses above the threshold of £85k will have to keep digital records and submit their VAT returns using MTD-compatible software. Making Tax Digital for business (MTDfb) begins on the **1<sup>st</sup> of April 2019 with MTD for VAT.**

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### How will MTD impact my business?

Change can often seem daunting, especially if it requires you to adopt new technology. Don't regard Making Tax Digital as just another obligation. This is your opportunity to streamline your accounting and business management. Keeping records and filing tax digitally gives you the chance to regularly check income, expenses and profit in your business – which will help you to make better decisions.

### What will I need to do to stay MTD compliant?

Despite all the recent confusion surrounding MTD, it's not as scary as it sounds. All you (or your accountant) need to do is record your taxable records and submit your VAT returns through MTD-compatible software – like Xero.

### What is Making Tax Digital for VAT (MTD for VAT)?

Starting 1 April 2019, all VAT-registered businesses with turnover above the VAT threshold (currently £85k) must maintain digital records and submit their VAT returns to HMRC through online accounting software, such as Xero. Businesses below the threshold will continue to use the HMRC online portal and then follow the digital requirements from April 2020 onwards.

### Do I have to maintain all records digitally?

Although HMRC has confirmed the requirements to keep digital records, you can continue to maintain paper documents if you prefer. However, you must keep certain information – such as VAT-related transactions – in digital form. For a complete list of digital requirements, please reference [VAT Notice 700/22](#).

### Are there any exemptions?

Current exemptions that apply to electronic VAT filing will be extended to cover Making Tax Digital for VAT. There'll be an automatic exemption for businesses which are registered for VAT but have turnover below the threshold. If you elect for the exemption not to apply, you can choose to keep records digitally and submit your VAT information under Making Tax Digital.

## Are there penalties if I don't participate?

Yes. The penalties in place are the same for MTD for VAT as they are currently for VAT. However, online accounting software like Xero can help you avoid penalties. It is worth noting that **new rules** are already planned for an April 2020 launch.

## Where can I go for more information?

HMRC has published a VAT Notice – **VAT Notice 700/22 Making Tax Digital for VAT** – with complete details about MTD for VAT, including several examples and scenarios. We've also created useful content to help you throughout the transition.

## What happens if I'm already on Xero?

Your business will already comply with Making Tax Digital for VAT record keeping and digital links requirements, so you're in the best place right now. Soon, you'll see an option to start moving to MTD for VAT in Xero – just register with HMRC and use the new MTD for VAT experience. There's no extra cost involved.

## What if I'm not using software now?

If you're over the £85k VAT threshold, you'll need to use compliant software, like Xero, by April 2019 at the latest.

## What if I'm not using Making Tax Digital for VAT compliant software?

If you're using software that is not MTD for VAT compliant, you have two options:

- Move to MTD for VAT-compliant software. There may be conversion products (such as **Movemybooks**) in the market to help.
- Use a bridging software product to submit your MTD for VAT return for you. Of course, using Xero means enjoying more online accounting benefits sooner – and not just for MTD for VAT.

## My supplier is charging a lot to upgrade, what should I do?

It's common for desktop software companies to charge for upgrades. The longer it's been since you had an upgrade, the more difficult and expensive it can be. If this is happening to you, we recommend an update to cloud software products like Xero. These ideal solutions are inexpensive, simple to use and require no installs or upgrades. Everything, including support and conversion, is included in the monthly cost. It's all part of helping your business grow in times of change.

**Are you ready for the Digital Revolution?**