



## WHAT IS 'MAKING TAX DIGITAL' (MTD) ?

The most significant development which has been driven by HMRC in recent years (*and before the COVID-19 pandemic*) is the introduction of the '**Making Tax Digital**' (MTD) programme.

This programme is the Government's plan to move to a fully digital tax system, with HMRC's ambition to become one of the most digitally advanced tax administrations in the world. Therefore it is planned that income tax, corporation tax and VAT will all operate under the '**Making Tax Digital**' (MTD) regime in due course - **however at present it only applies to VAT !**

What this means in practice, is that

1. businesses to which the **MTD** regime applies to, are required to submit their quarterly VAT returns directly to HMRC using their accountancy software **ONLY** e.g. Xero or Quickbooks.
2. a new HMRC '**Making Tax Digital**' account **MUST** be created **AND**
3. this online account is linked directly with Xero to Quickbooks – **to allow the VAT returns to be submitted !**

## WHAT IS CHANGING FROM 1<sup>ST</sup> APRIL 2021 ?

To date businesses with a turnover above the VAT threshold i.e. above £85,000, have been required to use the MTD regime since April 2019, but with a '**soft landing**' allowing some interim options.

Businesses which are VAT registered but are below the £85,000 threshold CAN register under MTD **but are NOT required to.**

**From 1<sup>st</sup> April 2021, the 'soft landing' options are to be removed and therefore all VAT returns after that date MUST be submitted to HMRC directly through MTD compatible software - such as Xero or Quickbooks.**

## WHAT SHOULD YOU DO NEXT ?

If you are a business that is registered for VAT AND your business turnover is in excess of £85,000 then -

YOU NOW NEED to ensure that you take the following steps

1. ensure that the business is registered under the '**Making Tax Digital**' (MTD) scheme
2. ensure that your Accountant has been appointed as Agent under the **MTD** scheme
3. ensure that your accountancy software (Xero and Quickbooks) is connected with the MTD account

HMRC now have 12 -18 months of data from MTD compliant businesses and are, or will be, undertaking increasing numbers of compliance checks with **non compliant** businesses, so ensuring that your affairs are in order is critical !

**Contact the Sakura Team if you have any queries on MTD or need help with registering under the MTD scheme on 0207 952 1230 or [clientservices@sakurabusiness.co.uk](mailto:clientservices@sakurabusiness.co.uk)**