

Making Tax Digital

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Agenda

- Introductions and housekeeping
- MTD for VAT – a detailed look at the requirements.
- MTD for Income Tax Self-Assessment – a brief reminder and a look at the pilots.
- MTD for companies / complex businesses – what do we know?
- MTD for individuals – recent and forthcoming changes.
- Agents – how to help yourselves help your clients!

Housekeeping points

- Email questions as we go along
- Webinar will be available at this same link for 12 months
- Keep an eye on our websites
 - <https://www.tax.org.uk/policy-and-technical/making-tax-digital>
 - <https://www.att.org.uk/making-tax-digital>
- Follow up queries / questions to technical@ciot.org.uk or atttechnical@att.org.uk

Richard Wild

MTD FOR VAT

Reference guide

- Section 62 Finance (No. 2) Act 2017
<http://www.legislation.gov.uk/ukpga/2017/32/contents/enacted>
- The Value Added Tax (Amendment) Regulations 2018
<http://www.legislation.gov.uk/ukpga/2017/32/contents/enacted>
- VAT Notice: Making Tax Digital for VAT
[will be published shortly on GOV.UK]
- CIOT and ATT websites
<https://www.tax.org.uk/policy-and-technical/making-tax-digital>
<https://www.att.org.uk/making-tax-digital>

Who?

- All businesses with UK taxable turnover >VAT threshold, so includes
 - Unincorporated businesses
 - Trusts
 - Companies
 - Non-UK businesses with UK VAT registration
 - Landlords (eg with Options to Tax)
 - Charities / trading subsidiaries
- For VAT purposes only...

Exemptions / exclusions

- Voluntary VAT registrations
 - Must monitor taxable turnover
 - If exceed VAT registration threshold, exemption ceases
 - Once you're in, you're in
 - *Can elect not to be exempt*
- Specific exemptions
 - Religious beliefs
 - Insolvency procedure
 - Not reasonably practicable ... for reasons of disability, age, remoteness of location or any other reason

When?

- Now “private beta” testing
 - Simple businesses first
 - Later in 2018 – larger / more complex businesses
- April 2019 – mandation begins
 - Existing VAT registrations
 - First VAT return period commencing on or after 1 April 2019
 - New VAT registrations
 - From day one if compulsorily VAT registered
 - Voluntarily registered, but turnover grows
 - From start of next VAT return period once VAT threshold is exceeded
- April 2020 – *potential* mandation for voluntarily VAT registered businesses?

What?

1. Keep digital records

- A requirement to keep records in a particular manner, and capture particular elements of information

2. File VAT returns via “functional compatible software”

- Have a ‘digital journey’ from the digital records into HMRC’s systems

1. Digital record keeping

- Content of digital records (“the electronic account”):
 - Permanent data (new Reg 32A(2))
 - Transaction data (new Reg 32A(3)(a) to (c))
 - VAT account (existing Reg 32 + new Reg 32A(3)(d) to (f))

“Electronic account”

32A(5) The electronic account must be kept and maintained using functional compatible software.

32A(6) The functional compatible software must take a form approved by the Commissioners in a specific or general direction.

“functional compatible software” means a software program or set of compatible software programs the functions of which include—

- (a) recording and preserving electronic records in an electronic form;*
- (b) providing information to HMRC from the electronic records and returns in an electronic form and by using the API platform; and*
- (c) receiving information from HMRC using the API platform in relation to a person’s compliance with obligations under these Regulations which are required to be met by use of the software;”.*

- Includes spreadsheets

Permanent data

- New Reg 32A(2)

(2) The information specified for the purposes of paragraph (1) is—

(a) the name of the taxable person;

(b) the address of the taxable person's principal place of business;

(c) the taxable person's VAT registration number; and

(d) any VAT accounting schemes used by the taxable person.

Transaction data – supplies made

- New Reg 32A(3)

(3)(a) subject to sub-paragraph (c) for each supply made within the period—

(i) the time of supply,

(ii) the value of the supply, and

(iii) the rate of VAT charged;

- Relaxations

- Retailers

- Special schemes

- Others, including where *impossible, impractical or unduly onerous*

Transaction data – supplies received

- New Reg 32A(3)

(3)(b) subject to sub-paragraph (c) for each supply received within the period—

(i) the time of supply,

(ii) the value of the supply, and

(iii) the total amount of input tax for which credit is allowable under section 26 of the Act;

- Relaxations

- More than one supply on an invoice

- Employee expenses

- Flat Rate Scheme

- Others, including where *impossible, impractical or unduly onerous*

VAT account

- Reg 32A(3)

(3)(d) the information specified in each sub-paragraph of paragraphs (3) and (4) of regulation 32;

(3)(e) where adjustment or correction is made to the VAT account which is required or allowed by any provision of the Act or any regulations made under the Act, the total amount adjusted or corrected for the period pursuant to that provision or those regulations;

(3)(f) the proportions of the total of the VAT exclusive value of all outputs for the period which are attributable in each case to standard rated, reduced rated, zero-rated, exempt or outside the scope outputs.

Other record keeping points

- Agents / bookkeepers etc can maintain clients' digital records
- Digital records must be kept by earlier of
 - due date of the VAT return, or
 - the date the VAT return is actually submitted
- Record retention post de-registration

2. VAT return submission – “ground rules”

- If the information is mandated to be kept digitally [ie per the Regulations], it must pass digitally from source records to HMRC, for example
 - Output VAT: £100
 - Input VAT: £60
- Adjustments are **not** mandated to be kept digitally (eg partial exemption restriction of £15) can be done by either
 1. Journalling the £15 restriction into the software, or
 2. Digitally exporting £100 / £60 to separate software / spreadsheet, then adjusting for the £15 restriction

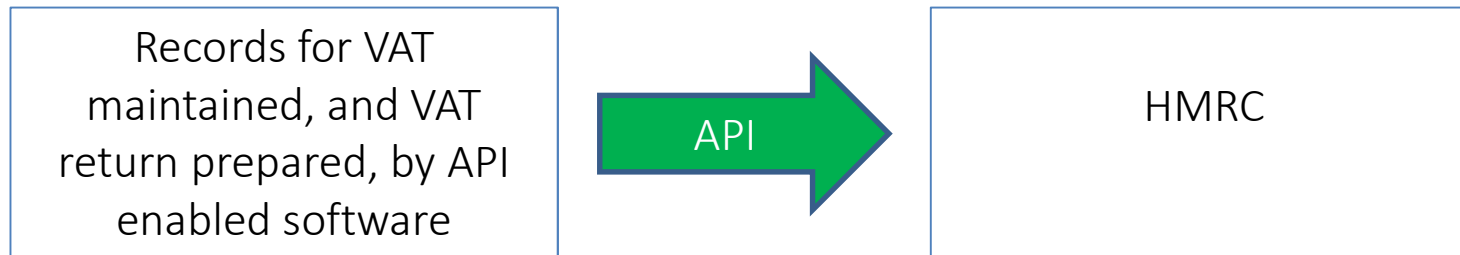
Digital links

- Submission of VAT return to HMRC – must be through API*-enabled software or spreadsheets from April 2019
- Digital links between software / spreadsheets – must be in place by April 2020
- Manual transfer / other adjustments – need not be undertaken digitally

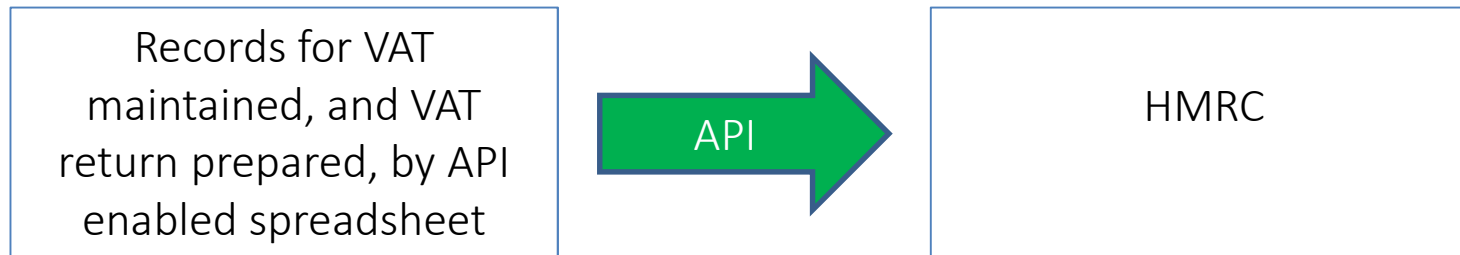


* Application Programming Interface

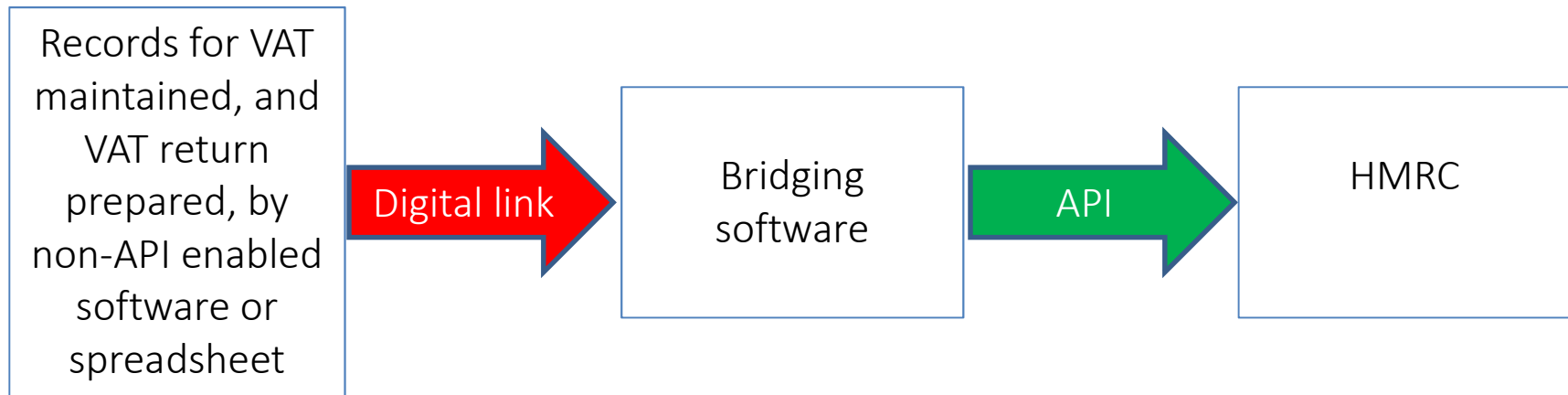
Example 1 – single API-enabled software



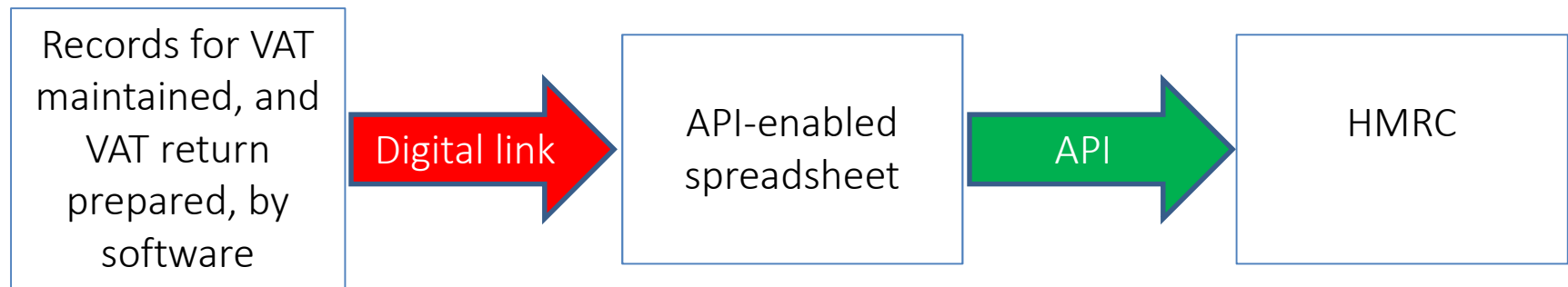
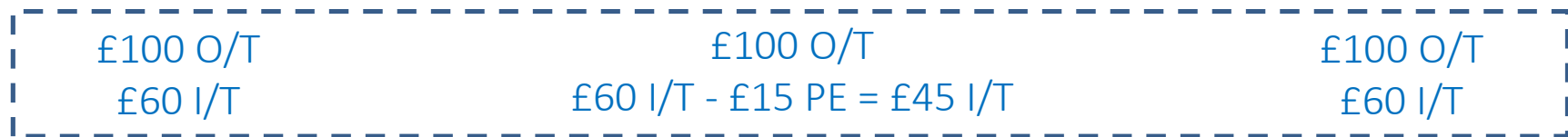
Example 2 – single API-enabled spreadsheet



Example 3 – non-API-enabled software or spreadsheet



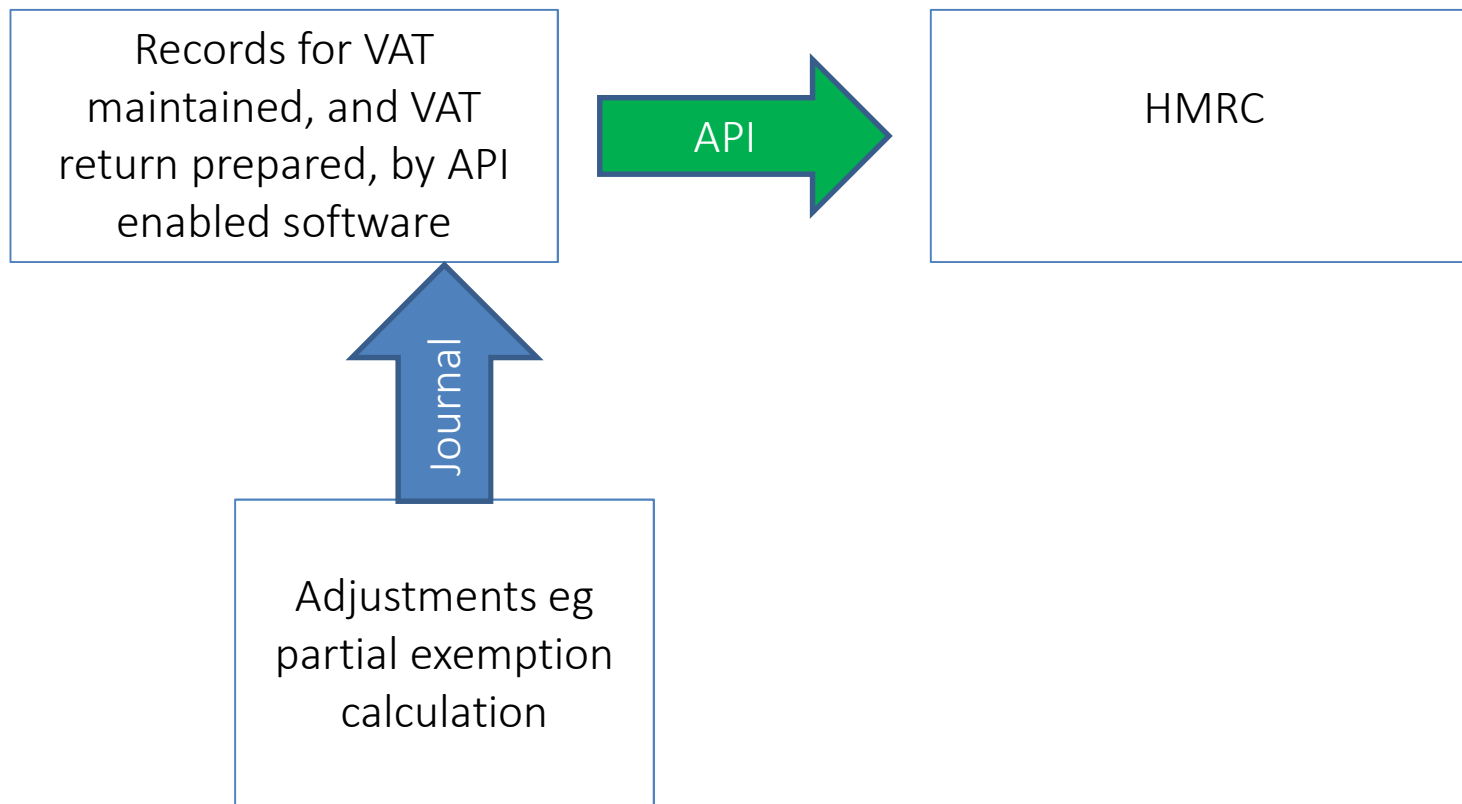
Example 4 – software to API-enabled spreadsheet to HMRC



eg partial exemption calculation undertaken

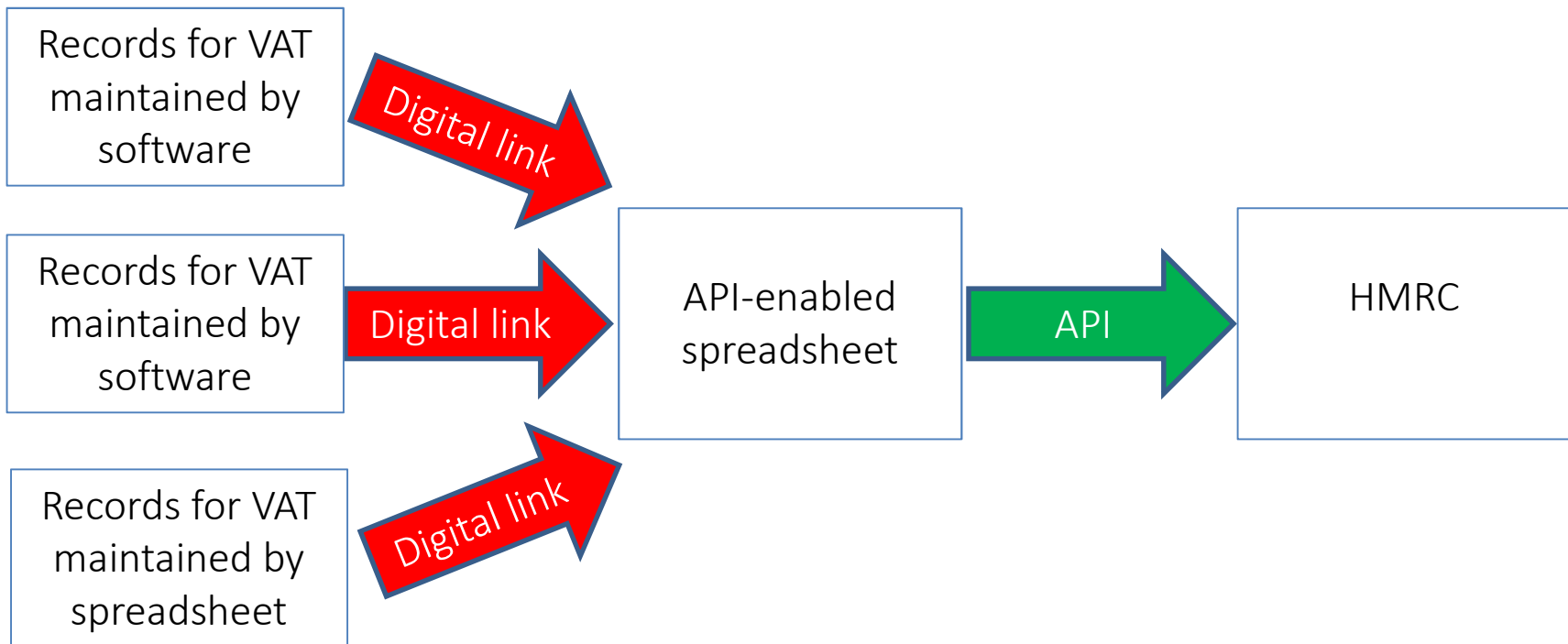
Example 5 – adjustments made within software

£100 O/T			£100 O/T
£60 I/T	- £15 PE		£45 I/T



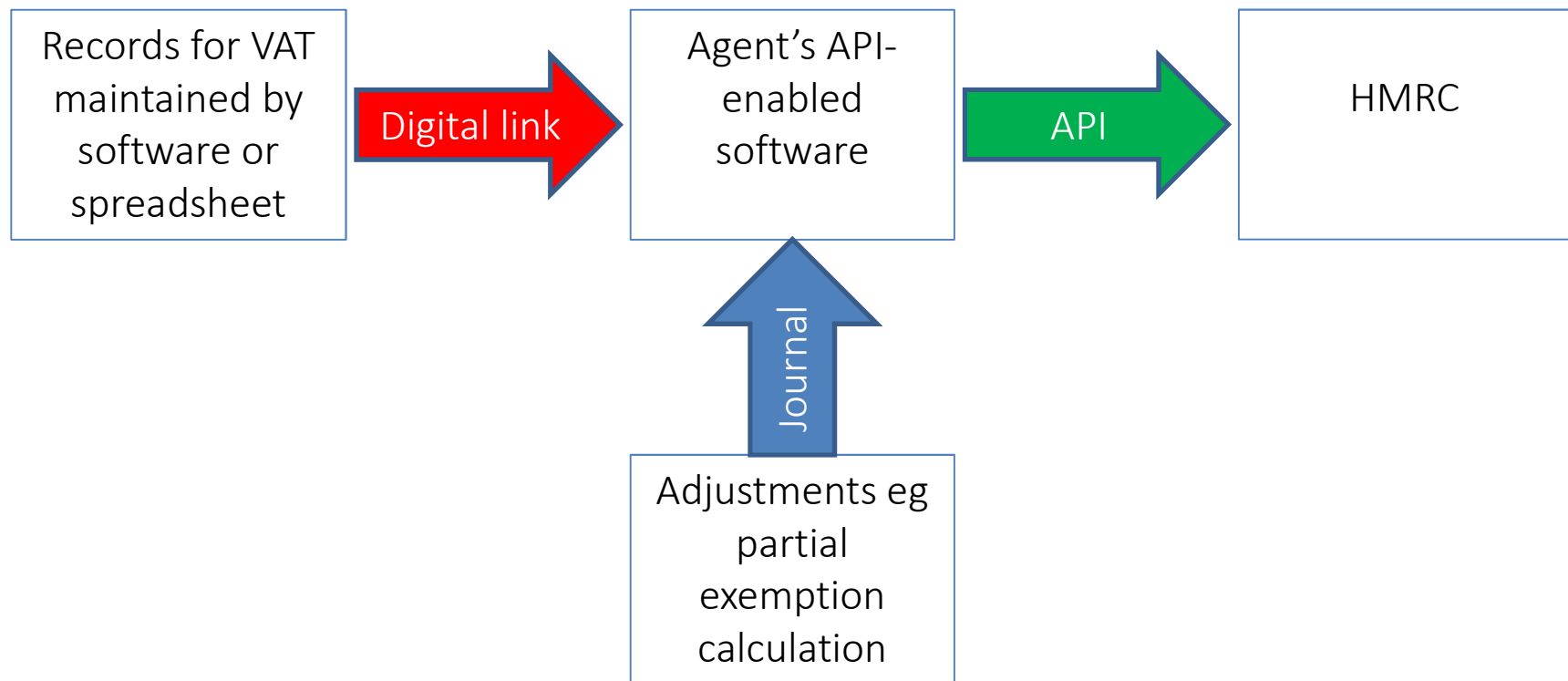
Example 6 – multiple software / spreadsheet records

£50 O/T + £25 O/T + £25 O/T £20 I/T + £20 I/T + £20 I/T	£100 O/T £60 I/T	£100 O/T £60 I/T
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Example 7 – agent prepares VAT return

£100 O/T £60 I/T	£100 O/T £60 I/T - £15 PE = £45 I/T	£100 O/T £60 I/T
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Practical points

- Availability of software
 - HMRC will publish a list of MTD-compatible software
- What is a digital link?
- Soft landing
- Penalties

Voluntary updates / supplementary data



- Voluntary, in-period updates to HMRC
 - Designed to help alignment with MTDfB
 - Does not discharge the liability to file a VAT return
 - Does not create any legal liability
 - Needs correcting if it's wrong
- Supplementary data
 - Voluntary, additional data alongside VAT return or voluntary update
 - HMRC will review before any compliance check
 - Slightly more information than what's in VAT return
 - Needs correcting if it is wrong
 - No 'white space' or upload facility

The trials

- You and your clients
- Staggered roll-out
 - Simple first, then more complicated
- Register an interest with HMRC - makingtaxdigital.mailbox@hmrc.gsi.gov.uk
- Please copy us in - technical@ciot.org.uk or atttechnical@att.org.uk
- Speak to your software provider

Adrian Rudd

MTD FOR INCOME TAX SELF ASSESSMENT

Reference guide

- Sections 60 & 61 Finance (No. 2) Act 2017
<http://www.legislation.gov.uk/ukpga/2017/32/contents/enacted>
- Draft Regulations and Notices consulted upon by HMRC
<https://www.gov.uk/government/consultations/making-tax-digital-reforms-affecting-businesses>
- CIOT and ATT websites
<https://www.tax.org.uk/policy-and-technical/making-tax-digital>
<https://www.att.org.uk/making-tax-digital>

Brief reminder – background

- Businesses and landlords
 - Trading or property income
- Unincorporated businesses
- Maintain digital records
- Quarterly updates to HMRC
- End of year declaration
 - Sign off the year
 - Make claims / elections / provide other information etc

Key differences to MTD for VAT

- Exemptions (MTDfB)
 - Turnover threshold just £10,000
 - Charities / CASCs etc
 - Non-resident companies [currently] subject to Income Tax
 - Large / complex partnerships (turnover >£10m)
- Free software
- Quarterly updates *can't be wrong?*
- Update required *per business*
- Submission deadlines

When?

- Now – “public beta” testing
 - Single, self employment
 - Landlords
- List of available software at <https://www.gov.uk/guidance/software-for-sending-income-tax-updates>
 - Interaction with MTD for VAT
- April 2020 – *potential* mandation

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MTD FOR COMPANIES / COMPLEX BUSINESSES

Companies / Corporation Tax



- HMRC developing a policy
 - Ongoing informal consultation
 - Formal consultation later in spring 2018
- Large partnerships already exempt (turnover >£10m)
- April 2020 – *potential* mandation
- Watch this space!
 - Feed in any comments to technical@ciot.org.uk or atttechnical@att.org.uk

Margaret Curran

MTD FOR INDIVIDUALS

Recent initiatives

- Personal Tax Account (PTA)
 - To sign up to access your PTA
<https://www.gov.uk/personal-tax-account>
- Variety of measures to digitise and tax in real time
 - Simple assessment
 - Dynamic coding / real time tax code changes
 - Pre-population of bank and building society (BBSI) information
 - Agent access to clients' Pay and Tax information
- MTD for Individuals has changed substantially following HMRC's recent reprioritisation announcement

HMRC reprioritisation

- Announced 30 April 2018
- Challenges
 - Phone contact not reduced as much as expected
 - Too many major programmes and projects running
 - Brexit – need to release resources for EU Exit work
- Implications
 - Delay further digital services for individuals
 - Personal Tax Account
 - Simple assessment
 - Dynamic coding
 - Pause work to digitise services that impact fewer numbers of taxpayers
 - No online service for new tax credits claims

Personal Tax Account



- HMRC still committed to the Personal Tax Account
 - Continue to encourage taxpayers to access and use it, BUT
- Focus now on improving the existing service
- New services will only be added where they reduce phone and post contact, or deliver significant savings

Simple assessment (1)

- Aim – to reduce number of taxpayers in Self Assessment
- Simple Assessment = Form PA302
- Paper based system (even if taxpayer has opted into ‘paperless’)
- Copied to agents
- Tax due by 31 January or 3 months (if raised after 31 October)
- Right of appeal
- HMRC Talking Points session
<https://attendee.gotowebinar.com/recording/8085149189536296963>

Simple assessment (2)

- 2016/17 (issued from September 2017), starting with
 - PAYE individuals where tax cannot be collected through payroll
 - Individuals whose only source of income is state pension income above the PA who reach pension age in 2016/17 (figures from DWP)
- 2017/18 (issued from June 2018)
 - PAYE individuals where tax cannot be collected through payroll
 - Individuals whose only source of income is state pension income above the PA who reach pension age in 2017/18 (figures from DWP)
- Future years will be delivered as above
- But further rollout has been halted

Dynamic (real time) coding

- Live from July 2017
- Aim = correct tax deducted by end of tax year
- HMRC talking points session
<https://attendee.gotowebinar.com/recording/5917488401928659458>
- New triggers being developed from April 2018 (but not yet 'live')
 - Where HMRC identify that employer is using the 'wrong' code to that held on HMRC's system (NPS)
 - 'Estimated pay' – making it work better
- Otherwise no new work being done

Bank and Building Society Interest (BBSI)



- Actual 2017-18 BBSI data received by HMRC used to
 - estimate interest for the 2018-19 tax year, and
 - populate interest in tax codes for the 2018-19 tax year
- HMRC will receive BBSI data from June 2018
- Taxpayers must check figures
- Single accounts only to start with
- Joint account holders not in SA, with interest > savings allowance, should report it to HMRC
- Taxpayers in SA should report as normal

Pay and Tax details – API / pilot

- Pay and tax phone line ‘switched off’ circa May 2017
- Self Assessment Pre-Population APIs
 - Via third party software
 - Through government gateway
 - Problems over accuracy of some data reported
- Pilot (‘Minimum Viable Product’)
 - New service to allow access to PAYE, NI data etc (39 items)
 - Still running as a small private beta trial
 - ‘Digital handshake’ – importance of data security
 - Generally problematic

Agent Forum

- Report any problems on Agent Forum and/or to technical@ciot.org.uk / atttechnical@att.org.uk
- Agent Forum enables
 - agents to report problems with HMRC systems and processes,
 - other agents can comment and contribute.
- HMRC monitor the forum and can immediately start looking into the issues, identifying whether these are client specific, or potential widespread issues.
- See CIOT website for more information about the Agent Forum and how to join <https://www.tax.org.uk/policy-and-technical/working-together/agent-forum>

Margaret Curran

AGENTS

What? Agent Services Account

- Agent Services Account (ASA)
 - Access new HMRC online services
 - One ASA per practice (sole trader – Big 4)
- One-off set-up
 - 2-step verification
 - but only every 18 months / when new services added
- Retain existing logins for legacy services / taxes
- Guidance at <https://www.gov.uk/guidance/get-an-hmrc-agent-services-account>

When? VAT

- Now
 - Sign up and set up ASA
 - Map over existing VAT clients *where act online to submit returns*
- Summer 2018
 - Sign up existing client to VAT MTD trial
 - Submit VAT return (9 box updates) through VAT MTD trial (if meet relevant criteria)
 - Digital 64-8 for VAT MTD (new client)
 - Existing client can digitally authorise agent for VAT MTD
 - Existing client can digitally de-authorise agent for VAT MTD

When? ITSA

- Now
 - Sign up and set up ASA
 - Map over existing ITSA clients,
 - Sign up existing clients to ITSA MTD trial (if meet criteria)
 - Submit quarterly updates through ITSA MTD trial
 - Digital 64-8 for ITSA MTD (new client)
 - Existing client can digitally authorise agent for ITSA MTD
- Late spring 2018
 - Client can digitally de-authorise agent for ITSA MTD

Other services coming



- Access to MTD services by overseas agents and clients
- Access to MTD services by third parties who are not paid tax agents
- Ability for a client to have more than one agent for an MTD tax service with different levels of permission to view and submit MTD data
- Ability for agent to register a client for tax
- Agent/client authorisation service available through software (subject to developer timescales)

Questions?



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