

An update on Making Tax Digital

Specialist medical accountant James Gransby provides a progress report on the new digital tax system



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The government has shuffled the deckchairs since previous announcements about Making Tax Digital for Business (MTDfB), the government's proposed new digital tax system. There's some uncertainty too, so this article gives a timely update on where practice managers stand with the proposal to introduce quarterly tax returns, a key component of MTDfB.

The vision for MTDfB is to have a digitised tax system that is more effective, efficient and easier for taxpayers. This concept has not changed. It will mean that GP practices will be required to make quarterly submissions to HMRC and will also result in significant changes to the way they interact with HMRC as digital reporting and digital tax accounts become a reality.

What has changed from previous proposals?

HMRC announced on 13 July 2017 that the roll-out of MTDfB is to be pushed back to April 2019 for all businesses and instead of starting with Income Tax, with VAT and then Corporation Tax to follow, it will now begin with VAT reporting in April 2019, followed by Income Tax and Corporation Tax in April 2020.

HMRC say they will be looking closely at the 2019 intake to see if the April 2020 deadline is too ambitious for the next cohort of businesses to start reporting and so the April 2020 date may be pushed back.

How will this affect GP practices?

This means that dispensing GP practices will now have to commence quarterly reporting

from April 2019 and non-dispensers from April 2020 (unless the date is extended).

A reminder of what HMRC is proposing

- Digital records – practices will be required to maintain their records on software that is compatible with HMRC's interfaces. Any practices still keeping records manually, or using a spreadsheet such as Excel, will need additional software to meet the requirements.
- Quarterly reporting and year-end declaration – while it was widely publicised that the government was looking to scrap the annual tax return, it now appears that it will simply be replaced with four quarterly 'updates' and one final year-end declaration.
- Voluntary pay-as-you-go – practices will be able to opt into a pay-as-you-go system for the collective payment of taxes. It has been stated that quarterly tax payments will not be made mandatory during this parliament. However, when compulsory quarterly payments are introduced, the cashflow effect could be very damaging since tax payments could be accelerated.

Why are these changes being made?

- HMRC's aim is to reduce the burden for taxpayers and provide greater certainty over tax bills through direct prompts from HMRC.
- Practices and individual GPs will not have to wait until the end of the year to know how much tax they will pay.
- Tax payers will be able to send and receive information from HMRC at the click of a button with alerts to help practices with



advice and queries.

- The changes will make it easier for practices to comply with their reporting obligations and deliver accurate information to HMRC.

Who will Making Tax Digital apply to?

At this stage the MTDfB proposals apply to sole traders and partnerships, including LLPs, and so GP practices will certainly be caught. It will also apply to individual GPs who undertake self-employed work such as working as a GP locum or appraiser and may also include those who own buy-to-let properties.

How will Making Tax Digital work?

MTDfB will not require affected GP practices to file four tax returns every year. Instead, the practice will send summary data to HMRC about their business each quarter, or more often if they prefer. The summary data will consist of total income and total expenditure, with the expenditure broken down into categories such as staff costs, property expenditure, and so on.

Practices will need to send this information from online accounting software. HMRC has confirmed that they will not be providing their own bookkeeping/accounting software and that the use of “digital record keeping software that links to and updates business’s digital accounts with HMRC” will be mandatory.

The move to cloud accounting

All businesses need to move with the times and GP practices are no exception. With or without MTDfB, moving bookkeeping onto a digital platform will help practices maintain their ability to compete in an increasingly complex bureaucratic environment. Having up-to-date financial information will ensure opportunities that arise can be exploited in a timely manner, and executed in a way suitable to the practice’s financial position.

GP practices about to embark on cloud accounting must ensure the system they choose will be compatible with MTDfB. Practices should either talk to their software provider or an AISMA accountant to ensure that the method they are currently using for keeping records will not cause a headache when it is time to submit information digitally. Check to make sure that your chosen cloud-based accounting system:

- Is user-friendly and straightforward to manage
- Is compatible with HMRC
- Provides the ability to accurately report on the period required.

What do you need to do now?

Even though the deadline seems far away now, it is essential to start getting things in place. If you haven’t started talking to a specialist medical accountant already, getting in touch with one now could be a positive move. **PM**