

How to Prepare for Digital Tax



John Harrison^{& Co}

CHARTERED ACCOUNTANTS

How to Prepare for Digital Tax - Summary

- Starts April 2019 for above VAT registered businesses (currently £85,000)
- Records must be “digital”
- All other businesses likely to be by 2020
- Means you will need to take action NOW!

Bringing Business Tax into the Digital Age

- HMRC systems are in need of replacement
- Different systems for PAYE, Self Assessment, VAT etc.
- New systems with one digital account per tax payer for all information
- Tax Gap - by making us file quarterly information and keeping digital records, HMRC believe it will reduce errors and administration and speed up payment of taxes with “voluntary pay as you go”

Overview of 6 Consultation Areas

- A - Bringing business tax into the digital age
- B - Simplifying tax for unincorporated businesses
- C - Simplified cash basis for unincorporated property businesses
- D - Voluntary pay as you go
- E - Tax administration
- F - Transforming the tax system through better use of information

How and When Does this Apply?

- Charities, CASC, digitally challenged are exempt
- Under £10,000 turnover are exempt (may change)
- Above VAT threshold, for VAT purposes, April 2019
- All other businesses likely to be by April 2020

Quarterly Updating of Records to HMRC

- By 2020 it is likely:
 - Rests entirely on digital record keeping
 - One month to submit, no more than 3 months after the last
 - HMRC will do quarterly tax calculation

Quarterly Information Required by HMRC

Likely categories of information (non-property businesses):

Income:

- turnover, takings, fees, sales or money earned
- any other business income

Expenses:

- cost of goods bought for resale or goods used
- construction industry – payments to subcontractors
- wages, salaries and other staff costs
- car, van and travel expenses
- rent, rates, power and insurance costs
- repairs and renewals of property and equipment
- phone, fax, stationary and other office costs
- advertising and business entertaining costs
- interest on bank and other charges
- bank, credit card and other financial charges
- irrecoverable debts written off
- accountancy, legal and other professional fees
- depreciation and loss/profit on sale of assets
- other business expenses
- goods and services for your own use
- income, receipts and other profits included in business income or expenses but not taxable as business profits
- disallowable element for each category

Finalising the Year - 5th Report!

- We will also need to file a final 5th report to HMRC
- This will contain the final figures
- Accruals, stock, tax adjustments
- 9 months after the end of the accounting period
- MTD means 5 reports to HMRC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Notes	2015 \$'000	2014 \$'000 (Restated)
Revenue	3	624,149	589,644
Cost of sales		(293,916)	(279,018)
Gross profit		330,233	310,626
Other operating income	4	16,279	18,345
Interest income	5	4,005	2,058
Distribution and selling expenses		(248,415)	(233,005)
Administrative expenses		(70,099)	(70,998)
Interest expense	5	(5,322)	(3,728)
Profit before tax and share of results of associates and joint ventures		26,681	23,298
Share of results of associates		(1,933)	8,858
Share of results of joint ventures		628	645
Profit before tax	6	25,376	32,801
Income tax expense	8	(10,768)	(6,771)
Profit for the year		14,608	26,030
Profit attributable to:			
Owners of the Company		7,602	22,171
Non-controlling interests		7,006	3,859
		14,608	26,030

What Does “Digital” Mean and What is the Effect on your Business?

- Hand written cash books and ledgers - **not digital**
- Spreadsheets - yes but in association with applicable software (**not digital** on their own)
- Desktop software - yes but in association with applicable software (**not digital** on their own)
- Cloud accounting software - yes this is digital!

We will show you the benefits and how easy Cloud Accounting Software is to use later in this seminar.

To Recap - Act Now!

- Starts April 2019 for VAT records
- Records must be “digital”
- All other businesses by 2020
- Eventually - one account for each tax payer (individual or a business) where ALL information can be found
- Means you will need to take action NOW!

How Can We Help you Comply?

- Provide you with digital accounting software
- Train you to enter your data easily
- Submit the 5 reports required to HMRC on your behalf
- Make the process cost effective to your business

Digital Accounting Software

- We are certified trainers and suppliers of the major digital software and have converted many other businesses already.
- We use:



Mobile Demo

- Direct bank link for receipts and payments
- How to create a sales invoice and email to customer
- How to photograph a purchase invoice or expense and enter directly into the records
- Dashboard
- Mobile app on your phone
- Questions

Summary of Benefits

- HMRC compliant
- See your results 24/7
- Enter data “on the go”
- Automatic bank data
- No annual license fee
- Secure data protection with bank type encryption
- Real time information

How do you Make the Switch?

We will:

- Import your data directly into the software
- Issue you with log in and passwords for your computer, phone, tablet so you can enter and view your financial records ANYWHERE, ANYTIME
- Provide training for you and your bookkeeper
- Support you whenever you need a question answering
- Monitor your results IN REAL TIME so we can spot errors EARLY

What Does it Cost?

- We charge a monthly fee based on the level of service you require
- John Harrison and Company will seek to provide a premium product at a premium price that offers the best overall value to its clients.

Summary

- You have to comply with HMRC requirements
- We will make the transition as easy and simple for you
- Do not get left behind - you will LOVE the new way of doing things.
- For more information or help, call us on 01909 472310.