

# How to Prepare for Digital Tax



# 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 2020
- Means you will need to take action NOW!

# Brining 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 business
- 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
- 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:

- 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:

- Costs 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 – 5<sup>th</sup> Report!

- We will also need to file a final 5<sup>th</sup> 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)
<b>Gross profit</b>		<b>330,233</b>	<b>310,626</b>
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)
<b>Profit before tax and share of results of associates and joint ventures</b>		<b>26,681</b>	<b>23,298</b>
Share of results of associates		(1,933)	8,858
Share of results of joint ventures		628	645
<b>Profit before tax</b>	6	<b>25,376</b>	<b>32,801</b>
Income tax expense	8	(10,768)	(6,771)
<b>Profit for the year</b>		<b>14,608</b>	<b>26,030</b>
<b>Profit attributable to:</b>			
Owners of the Company		7,602	22,171
Non-controlling interests		7,006	3,859
		<b>14,608</b>	<b>26,030</b>

# 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 can show you the benefits and how easy Cloud Accounting Software is to use later if you contact us.

# 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 are certified Quickbooks, Xero and Sage but have also used other software

# 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
- Please see brochure price list on your seat

		Annual accounts
		Company tax return
		Self assessment tax return
	Annual accounts	Payroll for 1 person
	Company tax return	P11D for 1 person
	Self assessment tax return	Cloud based software
Annual accounts	Payroll for 1 person	Annual compliance statement
Company tax return	P11D for 1 person	Minutes and dividend vouchers
Self assessment tax return	Cloud based software	Quarterly xero reports
Payroll for 1 person	Annual compliance statement	
P11D for 1 person	Minutes and dividend vouchers	Quarterly xero reports
Cloud based software	Quarterly bookkeeping including KPI monitoring, variance analysis& cashflow	Quarterly advice call up to 1 hour
Annual compliance statement	Quarterly xero reports	
Quarterly bookkeeping including tax review	Quarterly advice call up to 30 minutes	Monthly bookkeeping and tax review including KPI monitoring, variance analysis, forecasts and cashflow
<b>From £180 + VAT per month</b>	<b>From £250 + VAT per month</b>	<b>From £400 + VAT per month</b>

# Summary

- You will 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

# Testimonials

**Dear Jacky,**

*I am writing to say how delighted I am that we made the decision recently to move our business across to Wilds.*

*My personal affairs have been so professionally taken care of for a number of years and it was just a question of whether my company's interests also would be taken care of in the same way.*

*Having met you and Lyanne now on a number of occasions I felt that this would be the case and this was further cemented when we hosted Susan for 10 weeks whilst providing cover for our in-house accountant.*

*On all fronts I have been not only impressed with the level of service received but how comfortable I felt during these processes.*

*I have no doubt that Wilds are better placed than most to take good care of my personal and business requirements and having both under one roof makes a lot of sense.*

*I look forward to our long-term future business relationship.*

Kindest Regards,

David

**Dear Lyanne,**

*I would just like to take this opportunity to say thank you to you and all the team at Wilds who have taken part during the audit of our financial statements. From start to end the audit was performed with minimal disruption from your team.*

*As usual the audit meeting not only covered the financial statements but you have helped us to identify areas that will help us to improve our business going forward.*

*Over recent years there have been many changes taking place in our business. In that period you have provided valuable assistance on how to deal with our business issues and maintain focus on our longer term needs.*

*Once again, thank you for the services that your firm has provided to our business.*

Regards,  
Simon

**Dear Martin & Michael,**

*I just wanted to send a quick note to say thank-you for the service and advice you provide.*

*Michael, you are always on the other end of the phone or email to help with all our day to day queries and Martin, in our annual reviews you are fantastically positive and you always help alleviate any concerns I may have.*

*As a growing business your support is invaluable and I look forward to working with you and all the Wilds team well in to the future.*

Yours Sincerely,  
Emma