

## This month's contributors

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## IS YOUR OFFICE SYSTEM READY FOR THE MTD VAT CHANGES?



*You have just four months to ensure your business is compliant with the Government's new Making Tax Digital scheme as Tryphena James, Promar's National Farm Business Accounts Manager explains.*

On 1st April, Making Tax Digital (MTD) is scheduled to go live. It is going to cause some significant and possibly substantial changes to the operations in many farm offices. If you are a VAT registered business you will have to comply. The changes are quite complex and the sooner you start assessing what you need to do the better.

The MTD VAT rules apply to the first VAT period starting on or after 1st April 2019. So for Monthly VAT the April 2019 VAT return figures will be the first to be submitted digitally. For quarterly VAT, it depends on where the VAT period starts. The first quarter which will have to be entered digitally is a VAT quarter ending on 30th June.

As the vast majority of dairy farm businesses are net recoverers of VAT, it is essential to make sure you comply with the new legislation to ensure cashflow is not affected. With around half of dairy farmers reporting VAT monthly rather than quarterly it will be essential to be ready from day one.

### What do the changes mean?

- You don't have to record anything new or different. The financial data required is the same. The content of the VAT return will not change.
- All financial information must be collected digitally on a system which is MTD compliant and enables the VAT return to be submitted automatically. You can't keep a manual cash book and create a return manually.
- All records required for completion of the VAT return must be kept digitally on what is described as functional compatible software, which is software that will automatically link with the HMRC VAT Application Programming Interface system and update the VAT return with no manual intervention and has been approved by HMRC for the purpose.
- The VAT return must be created solely from digital records and provide HMRC with that information digitally.
- **At Promar, our Farm Business Accounts (FBA) software has already been approved. However, many recording systems used on farm are still unapproved.**

## NEWS IN BRIEF

- **BOVINE TB:** A DEFRA review of the Government's 25 year Bovine TB strategy published in November has recommended that 'industry must take greater responsibility for on-farm controls, biosecurity and safe trading practices to stop the disease spreading'.
- **GREENHOUSE GASES.** Levels in the atmosphere have reached new record high, according to a report from the United Nations weather agency, which reveals that there is no sign of reversal of the trend which is responsible for climate change, sea level rise, ocean acidification and extreme weather events.





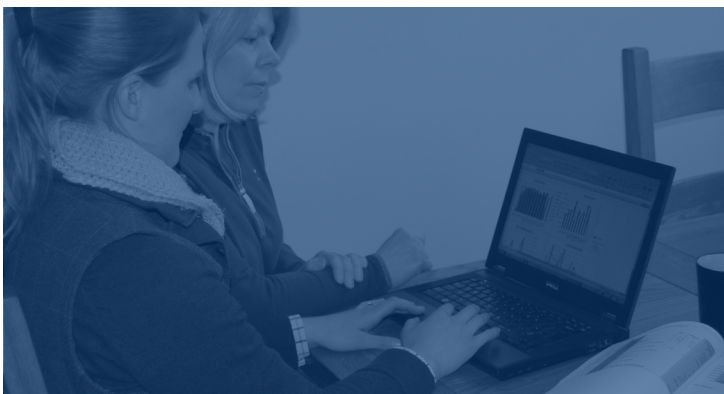
Stuart Raper, High Mulberry Farm and Jonathan Hill, Senior Promar Consultant

## WHAT WILL MTD MEAN IN PRACTICE?

You are not being asked to record anything new, or to do anything different with it. The VAT return itself is unchanged - you are just required to record it in a different way, quite likely on a new system and for many businesses this is a major change with a tight timescale. So how can you prepare?

- 1 Start reviewing how your office procedures will need to change and select your software as soon as possible so you have the time to get everything up and running and get familiar with the software.
- 2 You probably won't need to change how you file and store financial information but you may take the opportunity to see if any improvements could be made.
- 3 Think about how else you can benefit from storing data digitally. There are numerous pieces of software available that will just make sure that you are VAT compliant but why not make the data work harder and get a better return on the time and cost of moving to digital financial recording? Just recording data digitally to meet a Government imposition is missing the chance to get a tighter and more visible hold on your finances. The case study shows how one business is taking this opportunity to make the most of their data.

Promar clients using FBA are already seeing the benefits of tighter financial control and with their software already being MTD compliant they will have one less thing to worry about.



## FINANCIAL DATA AT FINGERTIPS IMPROVES CONTROL

**Stuart and Andrew Raper who farm at High Mulberry Farm near Darlington find the up to date information provided by FBA invaluable in the management of the 1000 acre unit where they run 300 dairy cows, 150 head of youngstock and grow 500 acres of arable crops every year.**

They have been using Promar's FBA for 15 years and say it means they are more in control of their finances.

"Our Promar Consultant Jonathan Hill helps us produce a detailed budget every April," Stuart explains. "At each monthly visit, Jonathan looks at performance against budget with us and this means we can spotlight areas for attention quickly.

"We can drill down into the data and identify exactly what is happening. If sales are down is it due to price or the number sold? If costs are higher is it price or usage?"

"We used to compare actual and budget every six months but doing it monthly puts us more in control. We look at gross margins and also reports such as the debtor and creditor lists so we know the true financial position and have a chance to react quicker. **So not only is FBA assisting VAT reporting, it is also supporting wider business management.**"

Stuart says the up to date information helps them be more proactive with their bank, explaining that he can keep them better informed and this makes a massive difference to the relationship he has with them.

"Banks can get nervous but by having accurate data readily available we are able to keep them informed and we can stay ahead of the game.

**"As FBA is MTD compliant that is one less thing we have to worry about too."**

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