

Making Tax Digital – 59 days to go



Charlotte Barber

The implementation date for the HMRC Making Tax Digital (MTD) Scheme is rapidly approaching as Promar FBA Manager Cheshire & North Wales Charlotte Barber explains.

HMRC still intends to move to digital submission of VAT returns under its MTD initiative on April 1st...which is only 59 days away. Despite representation from farming organisations and some MEPs, there is currently no indication that the launch will be deferred, so if your business is VAT registered you must make sure you are compliant and ready to go by the end of March.

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

In simple terms, under the MTD scheme all records required for completion of the VAT return must be kept digitally on what is described as functional compatible software. This is software that will automatically link with the HMRC VAT system and update the VAT return with no manual intervention.

The software must be able to keep all required records in a digital form, create a VAT return from those records and provide HMRC with that information digitally. It must also be able to receive information from HMRC about the business's compliance records.

You can no longer complete your VAT return from a manual cash analysis book and many older, existing computer systems may not be compliant and will need replacing. So it is important you start preparing for the change now.

Our Farm Business Accounts package is fully MTD compliant and as the Shepherd family explain overleaf, it can open the door to greater financial control, cost management and benchmarking opportunities as well as meeting the MTD rules.

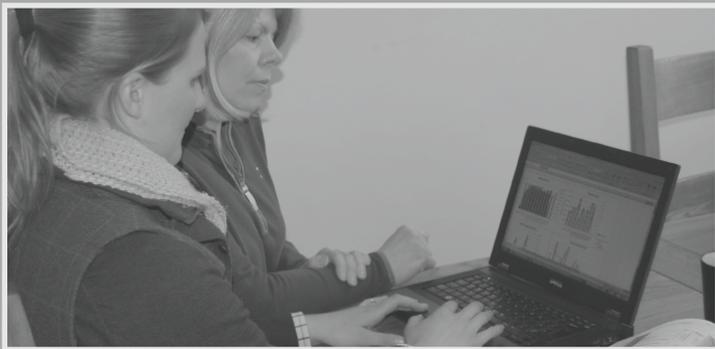


MTD DEADLINE DAY

NEWS IN BRIEF

- **CLEAR AIR STRATEGY** - in its recent announcement, the Government identified that up to 75% of UK agriculture ammonia emissions were from 3 main activities of livestock housing, fertiliser applications and manure applications. It recognised that improved management practices in these categories was a key objective.
- **AMERICAN DAIRY COALITION (ADC)** - this Pressure Group has written to Donald Trump asking for support and the release of over 600 million tonnes of cheese from cold storage facilities to 'jump start' the industry. The letter says 'Our milk price has dropped nearly 40% over the last 4 years. Cheese exports from the U.S. to Mexico are down more than 10% annually and shipments to China have fallen almost 65% annually' underlining the importance and impact of trade arrangements.

The MTD Checklist...



Follow this checklist to make sure you become MTD compliant.

- 1) Is your business turnover above the £85,000 VAT reporting threshold? If yes, you need to be compliant.
- 2) If you are on Promar FBA as the base for your VAT reporting, then you will be compliant. Otherwise, check your current method of calculating and recording VAT is MTD compliant by contacting your supplier or by cross-checking with the online list: <https://www.gov.uk/guidance/software-for-sending-income-tax-updates>.
- 3) If you require MTD compliant software, look at your options and what sort of reporting would be most suitable for your business.
- 4) Decide how you will operate the system. If you currently record your accounts in a VAT book or on paper, moving to computer-based software can appear a big-step. However, options such as our Promar service, can come with the benefit of a specialist secretary to complete the VAT and accounts on your behalf.
- 5) If you complete VAT returns monthly, you will need to begin recording and calculating your VAT digitally from 01/04/2019. If quarterly, you will need to start from the first quarter commencing after 01/04/2019.
- 6) You need to subscribe to MTD in order to submit your returns via your compliant software. You can either complete this through your HMRC log-in, or easier still, if you decide to use a secretary or organisation to complete your accounts, then they can subscribe on your behalf.

MTD provides opportunity to make more use of financial data

Making Tax Digital is something Richard and Angela Shepherd from Manton Park Farm, Stillington, near York will not have to worry about. They have signed up to Promar FBA which will not only ensure they are MTD compliant, but it will also provide accurate management information to help them keep closer control of all aspects of the business.

With 625 acres carrying a 160 cow dairy herd plus followers and 300 acres of cereals, the Shepherds have always relied on a bookkeeper and their accountant to ensure the books were up to date and that



Jonathan Hill

VAT returns were submitted on time. As with many farm businesses, financial information was recorded in a cash analysis book.

They would have had to change their systems to comply with the VAT changes. However, during the summer they found out that their accountant had sold his practice and the bookkeeper was intending to retire because of the changes that would be created by MTD.

Following discussions with their Promar Principal Consultant Jonathan Hill, the Shepherds decide to look closely at Promar FBA as it would solve the issue of MTD compliance and also open the door to greater analysis of financial performance.

“Jonathan explains the benefits of moving to a specialist farm management accounting system like FBA as opposed to a generic off the shelf package,” Richard Shepherd comments. “He arranged for Clare Robinson who will be our Business Analyst to demonstrate the program and run through the Annual Report, outlining how the gross margins are calculated.

“She explained that the accounts produced by FBA were for management purposes and showed how they differ from accounts produced for tax purposes by giving a detailed breakdown of enterprise performance. However, at the year end we can supply all the data plus a trial balance and audit trail, reconciled back to the bank, to the accountant which should reduce their bill.”

“She described how all Promar Analysts use the same analysis codes, making the benchmarking of all aspects of management accurate and incredibly valuable.

“In the end it was an easy decision to move to FBA.”

The new system will come into operation at the end of January, giving plenty of time to have everything in order before the first VAT return has to be submitted digitally. And immediately Jonathan Hill and the Shepherds will have up to date and accurate financial information to monitor performance and as a basis for budgeting changes to improve performance.



Richard and Angela Shepherd

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