

The Making Tax Digital Collection



landlord vision

Contents

How Landlords Can Prepare for Making Tax Digital	3
The Latest MTD Developments	3
Keeping Tax Records	3
Compliant Accounts Systems	3
Landlord Software	4
Be Prepared	4
Making Tax Digital Landlord Checklist	5
Know When MTD is Happening	5
Does Making Tax Digital Apply to Landlords?	5
Which Landlords are Exempt from Making Tax Digital?	6
Which Business Processes Need to Change for Making Tax Digital?	6
Do You Have Making Tax Digital Compatible Software?	7
Switch to Making Tax Digital Compliant Landlord Software	7
How Will Making Tax Digital Benefit Landlords?	8
Will MTD benefit landlords? Let's find out!	8
Entering the Digital Age with MTD	8
Minimise Mistakes with MTD	8
Saving Time with MTD	9
Access to Real-Time Information with MTD	9
Save Money with MTD	9
What Landlords can Learn about MTD From the MTD VAT Rollout.....	10
Making Tax Digital for VAT Background.....	10
Implementing MTD for VAT Registered Businesses	11
The Progress to Date of Making Tax Digital for VAT	11
What Can Landlords Learn from the MTD VAT Rollout	12
Factor in the Extra Costs of Making Tax Digital	13
Get Acquainted with MTD Compatible Software	13

How Landlords Can Prepare for Making Tax Digital

Making tax Digital (MTD) is a huge shakeup of the UK's taxation system. Until recently, under the Making Tax Digital proposals, all landlords would have been required to submit quarterly returns from April 2019. That's all changed now.

The Latest MTD Developments

After taking advice and listening to feedback, the government has delayed the nationwide rollout of MTD following widespread concerns about the system's complexity. The pilot MTD testing system is running six months behind, so the government conceded it was wise to delay the launch plan for all but the simplest business customers.

So, for now, MTD for self-assessment is on hold. Only VAT-registered businesses with simple accounting systems are required to use the MTD system to file their VAT returns by the April 1st 2019 deadline. Since most landlords are not VAT registered, this gives the sector a brief reprieve.

The planned second phase of MTD will apply to landlords. Right now, we aren't sure when this rollout will happen. Initially landlords would have been required to submit digital tax returns from 2020, in the Spring Statement it was announced that the rollout for individuals will be delayed until the rollout for MTD for VAT has been shown to work and not until 2021 at the earliest.

Keeping Tax Records

Assuming you're not rushing to register for MTD voluntarily this April (and we don't imagine there are many that are!), the good news is that you have plenty of time to get your house in order (no pun intended).

The first thing you should do is sort out your accounting system. MTD requires that landlords maintain their records in a digital format. If you are currently using old-style accounts ledgers, you need to embrace the modern digital age.

Compliant Accounts Systems

Many landlords use spreadsheets to maintain their accounts data. HMRC initially said that spreadsheets were not acceptable, but they subsequently backtracked. However, the system you use must produce a summary each quarter, as well as at year-end, so unless

you pay for an extra third-party app or software plug-in, a spreadsheet accounts system isn't going to do the trick.

Software that connects spreadsheets to the new HMRC system is known as bridging software. For the rollout of MTD for VAT very few software providers created bridging software, so it stands to reason that the choices will be limited when it comes to using your spreadsheets for MTD purposes.

With this in mind, it is worth switching to a fully compliant accounts system. There are plenty of accounting systems that are fully compliant with Making Tax Digital. Some of the best-known include Sage Business Cloud, Xero, and Quickbooks (Intuit).

Landlord Software

Are you using landlord software that includes a business accounting system? If so, check with your provider to make sure it's compliant. Those of you that use Landlord Vision can relax. The Landlord Vision developers are in the process of integrating the software with Making Tax Digital, so by the time you're ready for the MTD deadline, we will be too!

Landlords have plenty of time to prepare for the MTD deadline. If you are used to keeping paper records, there will be a learning curve as you get used to the new system but doing things digitally will save time in the long run – honest!

If your accountant recommends an accounting system, ask them to provide some training to get you up to speed. Don't assume that you need to pay for an MTD compliant accounts package – there are free products out there that are suitable for smaller landlords with simple needs.

If you are a professional or semi-professional landlord, now is a good time to switch to a property management package that's MTD compliant. It will make life easier for you in the long run.

Be Prepared

For those of you who struggle with self-filing and accounts, look for an accountant to take care of the number crunching and filing on your behalf. There are plenty of reasonably priced cloud accountants out there who can help you.

If you currently use or are planning to use an accountant, make sure they are aware of Making Tax Digital and that they are ready and educated on the change. If the rollout of MTD for VAT has taught us anything it's that a huge number of accountants weren't ready for the MTD rollout for VAT. Save yourself any future heartache by making sure your accountant is ready.

Making Tax Digital Landlord Checklist

The deadline for Making Tax Digital (MTD) is fast approaching. To prevent you from having too many sleepless nights, we have created a useful checklist for landlords.

Making Tax Digital (MTD) Checklist

- Know when MTD is happening
- Understand if the changes apply to you
- Find out if you are exempt from MTD
- Understand which of your business processes need to change to be compliant with MTD
- Find out if your current landlord software is compatible with MTD
- Switch to MTD compatible Landlord Software



Know When MTD is Happening

We've already covered the deadline and rollout plans in this document. Scroll to [the latest MTD developments](#) section for a refresh.

Does Making Tax Digital Apply to Landlords?

VAT-registered landlords are in the first wave of businesses impacted by MTD. However, even if you are not currently VAT-registered, if your turnover is approaching the VAT threshold of (currently £85,000), it is worth preparing for MTD.

Landlords who don't meet the VAT thresholds will be included in stage 2. This was previously expected to roll out in April 2021. Landlords who earn over £10,000 from property and other trades will be required to submit five tax returns a year using software that is compatible with Making Tax Digital. The government has now said they'll wait to see how the MTD for VAT rollout goes before looking to rollout to individuals.

Which Landlords are Exempt from Making Tax Digital?

VAT registered businesses with more complex requirements have been given a deferred start date of October 2019. If this applies to your VAT registered business, you should have received a letter from HMRC. If you haven't received a letter and you think the deferral might apply to you, contact HMRC as soon as possible. However, this exemption is unlikely to apply to VAT registered landlords unless they are based overseas.

Landlords can also claim an exemption from MTD if it isn't practical for them to use digital tools because of a disability, the remoteness of their location, their age, or religious beliefs. If you feel any of these criteria apply to you, ring the HMRC VAT Helpline on 0300 200 3700.

Which Business Processes Need to Change for Making Tax Digital?

Look at your current processes, in particular, how you log expenses and raise invoices. If you currently use spreadsheets to manage your income and expenditure, this will have to change. MTD requires landlords to keep digital records that maintain a link with HMRC so systems can be updated in real time. Spreadsheets are not capable of this on their own.

The new system also requires receipts to be digitally stored, something that could get incredibly unwieldy in a spreadsheet.

MTD requires that landlords submit tax records via compatible software. You won't be able to submit paper or online returns after the deadline. All tax records must be kept in digital form, so it's time to move away from paper ledgers and spreadsheets. In many cases, all you'll have to do is switch from Excel to an MTD compatible software package.

Speak to your accountant. They can help you review your processes and advise you if you need to make any changes.



Do You Have Making Tax Digital Compatible Software?

If you already use an accounts package, check whether it is or will be compatible with MTD ahead of the deadline. Sage Business Cloud and Quickbooks (Intuit) are two well-known examples of Making Tax Digital compatible software for businesses.

Compatible desktop software will need to be updated but cloud software solutions should update automatically. In some cases, you may need to invest in the latest version of your software package or buy a plug-in module to gain MTD functionality.

In the case of landlord software, check with your provider. Landlords using Landlord Vision to run their property businesses don't need to worry. We are in the process of making sure Landlord Vision is Making Tax Digital compliant ahead of the deadline. We will be releasing more details shortly.

Switch to Making Tax Digital Compliant Landlord Software

Even if you are not required to submit Making Tax Digital VAT returns on April 1, it is sensible to switch to MTD compliant software as soon as possible. There is always a learning curve when using new software. Users may need extra training to bring them up to speed. It's better to make the change in your time rather than feel under pressure to grasp the intricacies of a new software package overnight.

If you do need to switch to a new software package and you are a professional or semi-professional landlord, consider whether an MTD compliant property management solution like Landlord Vision could make your life easier.

Landlord Vision allows you to manage all aspects of your property online. On average our landlords save up to 30% admin time. Landlord Vision will be compatible with Making Tax Digital and will allow you to manage your finances, tenants and properties easily.

Leaving the switch until the last minute could cause you a massive headache. Think about it, HMRC's helpline operators are already under pressure, so if you have a problem, you could end up being stuck in a hellish holding pattern for hours.

Now is not a good time to have your head in the sand over Making Tax Digital. Even if the MTD rollout hits a few roadblocks along the way and there are delays to the Income Tax and Corporation Tax rollouts, Making Tax Digital is coming, so it is best to be prepared before it arrives.

How Will Making Tax Digital Benefit Landlords?

The government says MTD is all about making it easier for businesses and individuals to submit their tax and VAT returns. The cynics out there would argue that MTD is purely about making HMRC's life easier.

Will MTD benefit landlords? Let's find out!

On the surface, MTD requires a fair amount of work. Landlords will have to overhaul their accounting process, which could mean investing in new accounting software – at an extra cost. (Those of you who use Landlord Vision don't need to worry, as the required changes are in motion) However, there are some benefits to overhauling your accounting process.

Entering the Digital Age with MTD

If you are still firmly entrenched in the pre-digital age, isn't it time you embraced the wonders of digital technology?

Keeping your accounts in ledgers and storing receipts in an old Tesco bag is hardly an organised bookkeeping system.

Digital accounting software makes account maintenance a lot easier. You can do your day-to-day bookkeeping and then send digital updates to your accountant for them to check and sign off. This saves time and reduces inaccuracies. Some software solutions, like Landlord Vision, allow free accountant access making the whole process even simpler.

So, instead of hunting for a missing penny in your ledgers and cursing when your solar-powered calculator stops working because it's midnight, you can catch an early night for once and start using your trusty Tesco carrier bag for its intended purpose – carrying bottles of wine and beer!

Minimise Mistakes with MTD

Old-fashioned bookkeeping in ledgers and on spreadsheets might suit a landlord with one property, but it's not ideal if you are running a property portfolio with two or more properties.

Mistakes happen. Mostly, these are avoidable, such as transposed figures and late returns, but they still cost you money. And who wants to pay HMRC more than they have to?

According to the government, switching to the MTD system will reduce your likelihood of making mistakes. Hurrah!

Saving Time with MTD

There is less form filling in and it will be much easier to communicate with HMRC, allegedly. There is also no need to tell HMRC about your business, as they will have all the information they need.

The time you save on accounting and submitting tax and VAT returns can be better spent on growing your property business.

Access to Real-Time Information with MTD

Since all tax records will be kept digitally and in one place (if you are an individual), you can see immediately when it's time to pay or file a return.

All your tax information is available in real time. You'll be able to see your tax liability at any given moment, helping you to make more informed financial decisions about your investments. Having this data at hand will help you budget better for upcoming tax bills.

Save Money with MTD

Because MTD aims to streamline tax and VAT, this should save you money on accounting. Instead of playing catch-up once a year and throwing a pile of invoices and receipts at your loyal accountant, embracing digital tools makes record-keeping easier and more efficient. In turn, this will reduce the amount of time your accountant has to spend sorting out your accounts and submitting returns on your behalf. Hopefully, this reduces the fees they charge you!

If you haven't already, now is a good time to go digital and look for an MTD compatible accounting software solution. Be careful, as not all accounting software is MTD compatible.

Naturally, we recommend you invest in a cloud-based landlord software package like Landlord Vision. As well as making your tax returns easy and being compatible with Making Tax Digital it can save you a huge amount of time and money when it comes to managing the rest of your portfolio.

MTD is here to stay, so sticking your head in the sand and hoping it will all go away is not an option!

What Landlords can Learn about MTD From the MTD VAT Rollout

As we all know, anything HMRC-related is guaranteed to have a few (or lots!) of teething problems. In this article we're looking at how the Making Tax Digital rollout for VAT registered companies has gone. Read on to find out how this can help individual landlords prepare for the digital switch that's yet to come.

Making Tax Digital is all part of the government's big plan to make it easier for businesses and individuals to handle their tax affairs. According to the House of Lords Economic Affairs Committee, it should be motivated by "productivity, efficiency and modernisation reasons rather than just tax compliance".

And if it's easier, there will be fewer people defaulting on their tax obligations. At least that's the idea!

In theory, Making Tax Digital is a good thing for landlords. Because it aims to make tax returns simpler so it should save you time and money. You can streamline your record keeping, have access to real-time tax and VAT information, and minimise mistakes once you switch to a digital MTD compatible bookkeeping system.

So how has the rollout of MTD gone for VAT registered companies, and what can you learn from it?

Making Tax Digital for VAT Background

[MTD for VAT](#) was rolled out for VAT registered businesses at the beginning of April this year. Those businesses that were exempt for various reasons were given some respite, but only until October 2019.

HMRC first announced it planned to Make Tax Digital way back in 2015. Fast forward to 2019 and there was a lot of publicity about MTD prior to the rollout for VAT registered businesses. Nevertheless, research carried out between November and December 2018 found that 19% of businesses still hadn't heard of MTD. Of those that were aware, 43% had been told about Making Tax Digital by their accountant or tax agent; only 33% had learned about MTD via HMRC emails, letters, or announcements on the HMRC website.

Just six days before MTD for VAT, more than one million businesses had yet to register.

The first quarterly returns must be submitted by 7 August, so VAT registered companies do still have time to get their houses in order, but it is likely that unless their accountant has been proactive in warning them about Making Tax Digital, they may not have done anything at all and their first tax returns will be a rude awakening.

Implementing MTD for VAT Registered Businesses

One of the biggest concerns facing VAT registered businesses has been how to implement Making Tax Digital, as in many cases, switching to MTD for VAT means buying new software or getting to grips with doing things differently. Of course, landlords with an accountant probably have some help in this regard, but for small landlords who do their own VAT returns, things have been a bit trickier.

The British Chambers of Commerce (BCC) conducted research and discovered that 38% of businesses have had to upgrade or look for new accounting software to make the switch. The BCC also found that many businesses were concerned about the costs associated with new software.

When criticised, HMRC pointed out that there were 220+ software products that businesses could use, which gave VAT registered businesses plenty of options to find a software package that matched their budget and needs.

The estimated cost of putting MTD compliant software in place is around £564 for small VAT registered landlords and £872 for VAT registered landlords with a turnover between £500k and £1m.

The Federation of Small Businesses (FSB) says:

“At a time when small business confidence is in the doldrums – and wages, auto-enrolment contributions and business rates are rising – more costs and admin burdens are the last thing they need. They also have the small matter of Brexit to think about.”

To be fair, they have a point. As well as the switch to MTD, landlords are also being hammered by government taxes and increased legislation.

The Progress to Date of Making Tax Digital for VAT

There is no doubt that the UK's tax system is needlessly complex. Small businesses have to contend with not just VAT, but also Corporation Tax, business rates, and National

Insurance. In addition to the many other pressures faced by landlords, it is no wonder that some are deciding to throw in the towel and sell up.

There has been talk from various politicians calling for all taxes to be consolidated into one, in a bid to help ease the burden on small businesses and entrepreneurs. However, with the legislative agenda focused on other areas at present, it is unlikely to happen any time soon.

Landlords have no choice but to accept the government's digital tax reforms. There is no point looking for a temporary stop-gap solution in the hope that Making Tax Digital will go away. [The government has confirmed](#) that it will “*not be mandating MTD for any new taxes or businesses in 2020*”, as well as taking “*a light touch approach to penalties in the first year of implementation*”, despite the brief reprieve MTD will still arrive.

What Can Landlords Learn from the MTD VAT Rollout

There is no burying your head in the sand.

Making Tax Digital for VAT went live at the start of April 2019. The first MTD for VAT submission for the period 1 April – 30 June must be filed by 7 August. Digital accounting records must be kept from the beginning of the same period. If you are not VAT-registered, you have a while longer.

MTD is no longer mandated for other taxes in 2020, as was originally planned, so you have some breathing space. This gives you plenty of time to get your finances in order ahead of the first filing date, so you don't get flustered.

Not all VAT accountants have been fast to react to the MTD changes, meaning they have to struggle last minute to submit clients returns successfully.

If you're using an accountant, make sure you know how they're preparing for Making Tax Digital. The best course of action, assuming you haven't heard anything from your accountant, is to give them a call and find out how they plan to help you with MTD. And if you are met with an unsatisfactory answer, consider switching to a more proactive accountant!



Factor in the Extra Costs of Making Tax Digital

For many companies, MTD has meant added costs and administrative burdens, while this will be lessened for individuals, it's worth considering.

There is a learning curve with any new software, therefore, it's a good idea to get familiar with any new solutions ahead of the deadline. Using a new software means having to add your data to that software, causing an initial spike in administration time. Because you need software to submit your return, you may have to budget for the extra cost if you use a paid solution or if your provider charges for a Making Tax Digital add-on.

Get Acquainted with MTD Compatible Software

Landlords using Landlord Vision don't have to worry about expensive upgrades, but if you are still undecided on what software package to use, you are running out of time to get things moving.

Good landlord software can help to reduce costs in other aspects of your business and is often a worthwhile investment,

It's worth doing the research to find the software that best suits your business set up, and that's research you don't want to be doing a week before the deadline. It is best to start using MTD compliant software as soon as possible; don't wait until two weeks before you need to submit your returns to install it.


The government's idea was for software providers to offer full software solutions, but also bridging software that would allow people to continue using their spreadsheets but then submit the tax details electronically via the bridging software.

This was a vastly underserved market in the VAT rollout. With very few software providers working on bridging software, it has severely limited the number of companies that taxpayers can choose from. If you're married to your spreadsheets and you've got your heart set on bridging software, you may have to start looking for it sooner rather than later. You can [read more on bridging software in this freeagent article](#). QuickBooks is one provider that offers bridging software, but there are probably others, so look around.


Part of the rules surrounding the new Making Tax Digital system is that landlords must now keep certain digital records. While the details for individuals haven't been firmed up and are subject to change before the rollout, [this government guide explains what digital records VAT customers must now keep](#).

The majority of landlords are not VAT registered, which gives them a break – one that is sorely needed!

However, even if you are not VAT registered, you can't afford to rest on your laurels. Start preparing now for the big rollout. Invest in MTD compatible software like Landlord Vision. Give yourself lots of time to get used to managing your portfolio digitally. The more comfortable you are with keeping digital records, the easier it will be to transition to MTD when the time comes.



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