



# Making Tax Digital

Your guide to the April 2019 VAT regulation that affects CAM Ledgers

## What is Making Tax Digital?

Making Tax Digital (MTD) is a key part of the Government's vision for a 'transformed tax system'. The aim is to create an effective and efficient digitalised service which will help businesses get their tax right, with technology making it easier for them to do so.

## Why is the Government doing this?

HMRC estimates that over £9 billion is lost annually in tax due to errors and mistakes, and it hopes that tax returns submitted in a digital way will help to prevent errors associated with manual processes.

## What are the requirements and when do the changes come into force?

From April 2019, VAT registered businesses with turnover above the VAT threshold (currently £85,000 excluding VAT) will be required to:

- Keep their VAT records digitally
- Provide their VAT return information to HMRC through Making Tax Digital compatible software.

Businesses can take the opportunity to provide quarterly updates for other taxes too, but there is no mandatory requirement to do so until at least 2020. There are some exceptions, businesses registered for VAT but with a turnover below the current VAT threshold can, if they wish to do so, opt in to MTD and file their VAT information digitally.

## What needs to be recorded digitally for VAT purposes?

You will continue to record all sales and purchases in CAMEO so that the totals for applicable incoming and outgoing VAT can be calculated for each return period. Additionally, your basic records will need to include the rate of VAT that applies, the invoice total and the transaction date.

## Do I have to keep other tax records digitally?

Not now, the April 2019 Phase 1 roll-out is for VAT only. However, HMRC have stated it is their ambition to expand MTD to include those businesses who voluntarily register for VAT with a turnover under £85,000, and eventually for Income Tax and Corporation Tax. This could come into place from as early as April 2020, but this will be confirmed by the government following the successful roll out of MTD for VAT.

CAMEO Ledgers will help you to stay on top of your record keeping, allowing you to better understand how your business is performing.

## **I'm using CAM Ledgers in conjunction with my CAMEO Operating System, what changes will I see?**

The integration between CAMEO and Ledgers will not change however, more detailed information behind the individual transactions will be passed to MTD Ledgers version. To ensure you have this enhancement you will need to be on CAMEO Program Version 2.98.25.845 or greater.

Once the MTD compliant version of Ledgers is in place, there is additional workflow that controls the submission through HMRC's Government Gateway itself. However, the principles of the current VAT Calculator remain a cornerstone of the data assembly and validation routine.

There is additional functionality provided for posting VAT adjustments into a specific VAT Quarter to cater for things like Fuel Scale Charges and Bad Debt VAT Recoveries. With this addition coupled with some of the other recommendations for VAT postings, for example, dealing with the payment to HMRC themselves, the VAT boxes 1-9 populated in the VAT calculator will represent the values to be submitted.

Once the VAT Quarter is submitted, HMRC will return a digital stamp acknowledging receipt, this will subsequently be recorded against all the reported individual transactions in Ledgers. Not only does this enable review of past submissions, it is also plays a key part in identifying any postings made in Ledgers that relate to an already reported HMRC period but have yet to be included in a full HMRC Submission.

## **When will CAM's Ledgers Software be compliant?**

CAM Systems is listed on the HMRC website as a software compliant supplier meaning we have now completed development to allow Ledgers to communicate with HMRC digitally, via their API (application programming interface), to report the required figures under Making Tax Digital for VAT.

## **What do I need to do to get my CAM Ledgers updated?**

Our customer service team are working to upgrade CAMEO and Ledgers.

## **What happens if I decide not to comply with MTD?**

HMRC has suggested it will take a soft approach to non-compliance between April 2019 and April 2020. However, they are introducing a points system where failure to submit records on time will accumulate penalty points for each transgression. When those points reach a threshold, penalties will be charged for late or non-submission.

For more information about the Making Tax Digital and other CAM products

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