

# Q&A

WITH  
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## Do you own a business? Are you a landlord? Are you self-employed?

If the answer is YES to any of the above then you may wish to spare a few moments and read the information below over a cuppa.

From April 2018 you will now have to file your tax returns on a quarterly basis and not the usual once a year.

HMRC published draft legislation on 31st January 2017 regarding their drive to quarterly tax reporting. At BKB Accountants the irony of the date wasn't lost on us!

We wanted to share with you some of the questions we've been asked recently about the changes to tax returns.

What we can tell you for certain about the new quarterly tax returns is:

- If you're self-employed or a landlord with a turnover above £10,000 you will need to file quarterly tax returns from April 2018
- Your annual tax return will also continue to be required
- There will be no penalties for the first year
- There is no mandatory requirement to keep invoices and documents in digital format
- You are able to keep your records on spreadsheets
- Formal exemption for digitally excluded taxpayers
- Limited companies to file accounts quarterly from April 2020

The not so good news, at this time, is detail is still missing from the 'draft legislation' and what we can tell you, thus far, is below:

### Do I need to change the way I write up my books?

**Possibly.** If you use spreadsheets then emailing or posting the spreadsheet to HMRC will not do. The information will have to pass the new HMRC compatible software checks. At this time though, we simply don't know what format that will be.

HMRC have said that they will NOT be providing free software. They anticipate any free software will come from the private sector. If you or your accountant already uses commercial software such as Xero or Quickbooks then this will more than likely be fine and



compatible. If however, you currently provide a bag of receipts to your accountant once a year then you should give us a call or speak to your accountant so you can be prepared in good time and you can formalise a plan.

### Can I rely on my accountant to do everything for me?

**Unlikely.** As you know January is always a busy month in the world of accountancy and your accountant will be at full capacity, filing all their client's tax returns and that's with a 10-month window. So you need to be prepared as the same work cannot be done in a month without some extra input from the taxpayer or at a greater cost to you and your business. Although a full set of accounts will not be required quarterly, we suspect that you would want your accountant to at least check what is being submitted to HMRC. The use of cloud software will no doubt be growing over the year ahead and it will be helpful to know how your business is doing.

### Does this mean I will have to pay my tax quarterly?

**Thankfully no.** The payment dates remain the same, 31st January and 31st July for individuals and 9 months and a day after a company year end.

### Why are HMRC making these changes?

This fits in with the government's strategy to digitalise the tax system. Both the benefits system and PAYE system are now reported in real time but, as you may have noticed, businesses lag behind in the timing for filing accounts to HMRC. They also argue that it will reduce the net impact of errors currently in the tax system.

### How will the first year work?

**This is going to be interesting!** The first quarter will cover the period 6th April 2018 to 5th July 2018. That quarter's tax return must be filed by 5th August 2018 – no early summer holidays! But what about the previous year's accounts to 31st March 2018? These will continue to have a filing deadline of 31st January 2019. So we end up in a situation that we have to file a later set of accounts before the previous period. How we accountants are to deal with that remains to be seen.

### I am a director so will I be affected?

**Yes,** although this is likely to be from April 2020 when companies will have to start filing quarterly tax returns. HMRC will pre-populate your salary and interest received from other real time reporting systems but they will also expect to see any dividends that you may have received if you are also a shareholder.

### How much will this cost?

**That depends.** If you are a large business, you might already have a system in place for regular internal reporting and if you are a VAT registered business you, of course, report quarterly as it is, so the effect will be minimal. If you run a smaller business, however, you will be hit with increased costs either from having to subscribe to cloud-based software and/or regular contact with the accountant.

### What do I do now?

If you have an accountant they should be contacting you. Each taxpayer and business will be different and we have already started discussing these changes on an individual basis with our clients. For some, they can continue as they are but others will see some big changes on the horizon and one thing is for sure that the standard of record keeping will improve overall and that can only be a good thing for YOU and your business.

**Please remember,** you are not on your own. The team at BKB Accountants are here to help your business. Every other business owner across the country will be forced to have up-to-date information about their finances, margins, and liquidity which means the equality between businesses both large and small, has to be seen to be positive news for the future.

**In the next article, we will be talking more about the use of cloud software and how this will be more important than ever; what it is and how you can keep up to date with your tax online.**

For more regular updates on the latest developments, check out <https://www.bkbaccountants.co.uk/news/> or contact me on [ali@bkbaccountants.co.uk](mailto:ali@bkbaccountants.co.uk).