

Your potential, our expertise

Association Matters

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Making Tax Digital for membership bodies

The government's Making Tax Digital (MTD) programme being introduced next year, is arguably the most radical change in taxation since self-assessment was enforced in 1997. From 1 April 2019, it will be mandatory for qualifying organisations to keep VAT records in a digital format and file VAT return information with HMRC using a digital link in functionally compatible software. A later date of 1 October 2019 has been agreed for organisations such as trusts, VAT groups and unincorporated charities. HMRC has said that MTD will greatly reduce the chance of human error in preparing and submitting tax returns.

With the deadline fast approaching, there is still widespread uncertainty about what needs to be done to be ready for MTD. Many organisations are unclear about the impact of these changes on their tax affairs. And many accounting software providers are yet to confirm if their accounting packages meet the new requirements, and if so, whether they will be ready ahead of the deadline.

We summarise briefly in this article what MTD involves and the changes it will require.

Organisations affected by MTD

MTD applies to all VAT-registered organisations making taxable supplies exceeding £85,000 a year. Very few business owners will be allowed to be excluded from MTD, although consideration will be given to those with disabilities and no internet access etc. MTD will even apply to overseas organisations if they are registered for VAT in the UK.

The challenge for membership bodies and other organisations with complex VAT affairs is making VAT calculations with minimal manual intervention. Many membership bodies are partially exempt and/or may be taking advantage of the Extra-Statutory Concession (ESC).

Bridging the gap

The ESC allows the membership subscription income to be apportioned to reflect the actual benefits provided to members. These calculations usually require that VAT return figures are entered onto a spreadsheet and checked manually. It should be possible to continue preparing the calculations on this basis, but the spreadsheets will need to be linked to the digital accounting software. Appropriate 'bridging software' will be able to submit the VAT information to HMRC in the new digital format.

After MTD is introduced for VAT, it will apply to income tax from April 2020 and then corporation tax. So, it is vital that organisations like yours are planning for MTD today! Now is the time to be implementing changes that best accommodate the requirements for VAT and other taxes, and fit best with your organisation's overall needs. Crucially, you need to allow enough time to train your staff and test the new systems thoroughly before the MTD requirements become mandatory.

MTD in practice

The introduction of MTD offers opportunities as well as compliance obligations. See it as a chance to review your current VAT accounting processes/systems. Check that the processes in place are still fit for purpose and whether you could be more efficient. You might even find that you could be paying less VAT!

Making Tax Digital for membership bodies

On a practical level, you should be looking to do the following now:

- Contact your accounting software provider and establish that they will have compatible software ahead of the introduction date of April 2019.
- Evaluate how you are currently carrying out your VAT accounting and how much manual intervention takes place.
- Assess whether your current VAT accounting is compliant.
- Identify the staff in your organisation who are involved in VAT accounting and preparing the returns, and engage with them now to increase understanding and awareness.
- Draw up a timeline and prepare for the migration process.

Benefits of MTD for your organisation

Although the new system means major changes, it should ultimately create benefits by:

- Improving the quality of record keeping
- Reducing errors caused by manual data entry
- Providing more up-to-date information on how much tax you owe, thereby helping with budgeting and cash flow.

How Kingston Smith can help your organisation

Kingston Smith has one of the most experienced VAT teams in the business and includes specialists who have worked within HMRC.

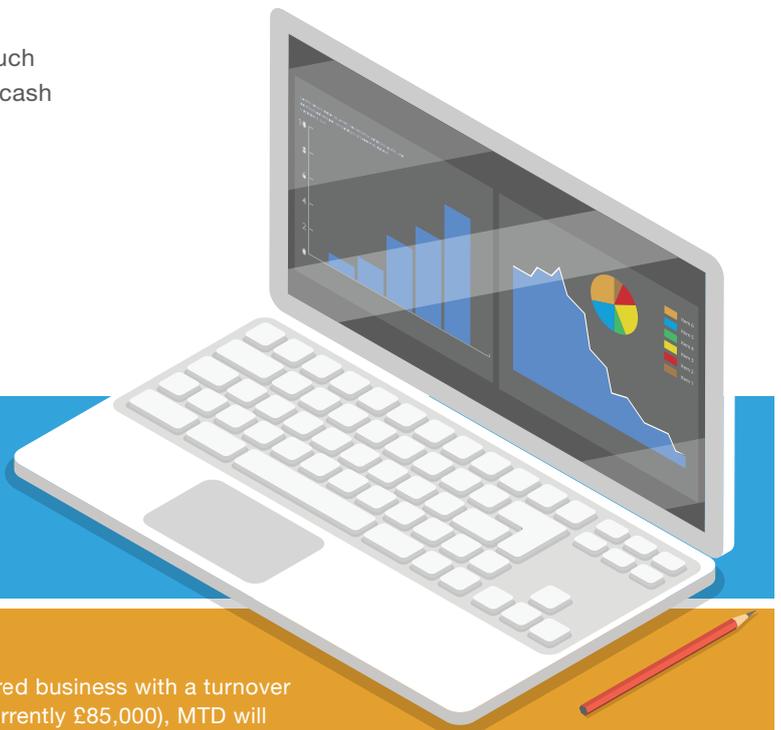
We are evaluating the full impact of the changes and the necessary steps for organisations to ensure a successful migration to MTD for VAT.

Our close relationship with leading software providers means we can review your systems, streamline your accounting function and help you transfer to the digital solution that is right for your business needs while also meeting HMRC's requirements.

By the same token, we are laying the foundations for applying MTD to the other taxes. So don't hesitate to contact our VAT MTD experts with any queries you might have.

Keep up to date with the latest developments on our MTD hub at

<https://www.kingstonsmith.co.uk/services/tax/making-tax-digital/>

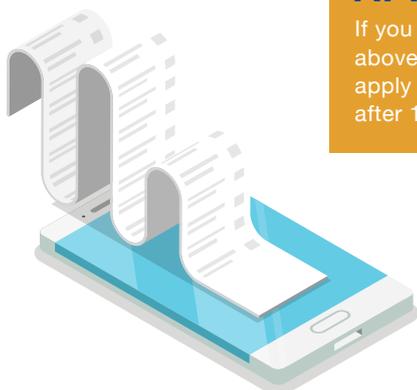


NOW

If you are not already set up for MTD, contact Kingston Smith for advice on your compliance obligations and the best software solution for your business or organisation.

APRIL 2019

If you are a VAT registered business with a turnover above the threshold (currently £85,000), MTD will apply to you from your first VAT period starting on or after 1 April 2019.



APRIL 2020

This is the earliest possible date for MTD to be extended to corporation tax and income tax. It is also the earliest date that those with turnover below the VAT threshold may have to meet MTD obligations. HMRC has yet to confirm this timeline.

Is your organisation digitally fit for the future?

Getting fit isn't just good for individuals; organisations like yours also need to ensure that they are 'fit for the future'.

Digitalisation is all around us. We interact through smart phones and online; social media keeps us connected with those we know, but also increasingly with those we have never met; and we have instant access to information that allows us to compare products and services in a way that was not possible even just a few years ago.

This shifts choice and power towards the consumer and away from organisations, and creates an increasingly competitive market place. This has significant implications for membership organisations who need to be digitally savvy in communicating and engaging with current and prospective members in a way that demonstrates real and lasting value. Members will otherwise look elsewhere and loyalty is unlikely to hold much sway with younger generations who are your future members.

On the plus side, digitalisation provides fantastic opportunities and new ways to reach out and engage with members more widely and quickly than ever before. To remain relevant, you will need to challenge your organisation's accepted way of working and unleash the capabilities of the digital future.

Harnessing digitalisation for positive change

The pace of digital change can appear daunting and it seems hardly a week goes by without the launch of a new social media channel or app that lets us do something we had never even thought of doing before. To stay relevant, it is important to acknowledge that a digitally savvy membership is different to those you might have appealed to in the past.

It is now an accepted part of any organisation's marketing strategy that they must share knowledge and insight for free on their websites and social media platforms. There are also web forums on virtually any subject. With this wealth of free digital information, why should your membership pay for the privilege of access via your organisation? You have to clearly demonstrate the value of membership but equally you should also be considering the opportunities to be gained by embracing an element of free digital access and communication with your members.

For example, digital engagement allows for:

- Connection to a wider audience than before, opening up your access to new interest groups on a global basis and reducing costs by eliminating postal charges.
- Engagement with more members than at a physical event where location limits attendees.
- Engendering a feeling of inclusion and belonging for members through online participation and an opportunity for members to talk to each other as well as to the organisation itself.
- Sharing of ideas and content and increasing the ability to influence, with members contributing ideas and inspiration.
- New routes to communication such as 'chat box' conversations which collect useful data (using artificial intelligence) on common themes and trends as well as allowing for routine queries to be dealt with efficiently with limited human intervention.
- Learning and qualification opportunities using online training and examination facilities.

Membership organisations have a vital role when it comes to knowledge sharing. As well as disseminating information, the role should include curating, moderating and encouraging debate amongst members as well as inviting industry experts to participate in discussion.

The extent to which this is free to access is one that needs careful consideration and should be regularly visited over time.

The biggest change being embraced currently by many membership organisations is in the use of e-learning modules, videos and similar to train and share knowledge with and beyond their membership base. This digital approach allows for easy access to training and examinations in a user-friendly way that meets the members' needs while being cheaper to roll out to a wider audience than more traditional learning routes. Membership organisations cannot afford to fall behind their competitors.

Gaining value through digitalisation

Enhancing digital platforms not only gives membership organisations the route to deliver an enhanced, focused, valued offering to their members, it also enables them to gather useful data on their members. This can ultimately improve the services they provide. Information can be used to observe trends in members' use of particular services, gain feedback on services and satisfaction and build a clear picture of what members want.

Is your organisation digitally fit for the future?

Artificial intelligence methods are already being used by many organisations to analyse information about customer behaviours and trends, and to make connections between data sources. It can help you provide better value to your members.

For example, behavioural data on 'click through' and 'open' rates on your website will allow you to establish which news articles are most interesting to your members. By focusing more on these topics of interest, you can attract greater engagement in e-newsletters and other communication forms. This in turn can also be used to provide information on other offers or services to your members.

Get your digital ducks in a row

Kingston Smith Association Management (KSAM) is one of the largest and most established association management firms in the UK. We've been helping organisations like yours meet their governance and compliance obligations for more than 20 years.

We can help you define your digital transformation through powerful and effective solutions to keep you digitally fit. We can review your current approach with a view to increasing the effective use of outcomes from digital engagement opportunities.

We can also advise on specific aspects of data regulation that go hand in hand with the collection, use and storage of members' personal data. This includes compliance with the General Data Protection Regulation (GDPR) which is already in force and the upcoming EU Regulation, expected in 2019, and replaces the current 2002 (as amended in 2009) ePrivacy Directive. This new regulation aims to reinforce trust and security in the digital market and will affect, among other things, the use of cookies on websites and consent requirements for telemarketing communications.

Organisations need to spend time investing in their websites and databases to be sure they are compliant with constantly changing regulations as well as maximising the use of the digital environment to improve performance and increase revenues while managing costs.

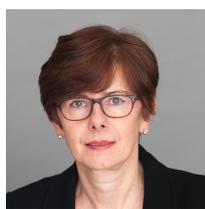
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More information about Kingston Smith's services to trade association and membership organisations can be found at: www.kingstonsmith.co.uk/tradeassociations

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