



Making Tax Digital for VAT (MTD) – How will it affect your business

Making Tax Digital for VAT requires VAT registered businesses with taxable turnover above the VAT registration threshold to keep records in digital form and file their VAT Returns using software. Maintaining paper records will no longer be acceptable.

The deadlines for submitting returns and making payments and the information submitted to HMRC are not changing.

1 Check if you have to follow the Making Tax Digital rules

1.1 Turnover test (exemption on the grounds of taxable turnover)

With effect from 1 April 2019, if your taxable turnover is above the VAT registration threshold (currently £85,000) you must follow the MTD rules. The 12 months runs to the end of your VAT period – 31st March 2019 or 30th April 2019 or 31st May 2019

If your taxable turnover drops below the VAT registration threshold at any point after 1 April 2019 you are still required to continue to keep digital records and send HMRC your VAT Returns using compatible software. This obligation does not apply if you either: deregister from VAT or meet other exemption criteria (below)

VAT taxable turnover is the total value of everything you sell that is not exempt from VAT or outside the scope of VAT.

1.2 Other exemptions

You will not have to follow the Making Tax Digital rules where HMRC is satisfied that:

- your business is run entirely by practicing members of a religious society whose beliefs are incompatible with the requirements of the regulations (for example, those religious beliefs prevent them from using computers)
- it is not reasonably practicable for you to use digital tools to keep your business records or submit your returns, for reasons of age, disability, remoteness of location or for any other reason
- you are subject to an insolvency procedure

These may apply even if you are not currently exempt from online filing for VAT.

If you think any of these apply to you then contact the VAT Helpline 0300 200 3700 or Write to VAT written enquiries team, VAT Written Enquiries Team, Portcullis House, 21 India Street, Glasgow, G2 4PZ to discuss alternative arrangements. If HMRC consider that an exemption is not appropriate, digital assistance may be available to help you get online support.

2 When do the Making Tax Digital rules start

The rules apply from your first VAT period starting on or after 1 April 2019. A 'VAT period' is the inclusive dates covered by your VAT Return.

2.1 VAT registered business with taxable turnover over £85,000 in the 12 months to the end of the VAT period – 31st March 2019 or 30th April 2019 or 31st May 2019.

For a quarterly VAT return covering the period 1 January 2019 to 31 March 2019 the business will need to comply with the MTD rules from 1 April 2019

For a quarterly VAT return covering the period 1 February 2019 to 30 April 2019 the business will need to comply with the MTD rules from 1 May 2019

For a quarterly VAT return covering the period 1 March 2019 to 31 May 2019 the business will need to comply with the MTD rules from 1 June 2019

For a monthly VAT return covering the period 1 March 2019 to 31 March 2019 the business will need to comply with the MTD rules from 1 April 2019

2.2 Business with taxable turnover above the VAT registration threshold at the point they need to register for VAT

Where a business that is not registered for VAT is required to register from (e.g.) September 2019 because the taxable turnover over the previous 12 months has exceeded the VAT registration threshold, the business must follow the rules for MTD for all VAT Returns they are required to make as their taxable turnover was above the VAT threshold when they registered

2.3 VAT registered business with taxable turnover below VAT registration threshold on 1 April 2019

Where a business is registered for VAT but its taxable turnover is below the VAT registration threshold the turnover for the previous 12 months must be checked at the end of every VAT period. If it exceeds the threshold at (e.g.) 30 November 2019 the business must follow the MTD rules for any VAT period that starts on or after 1 December 2019 as its taxable turnover now exceeds the VAT registration threshold.

2.4 Businesses with a deferred start date of 1st October 2019

- trusts
- 'not for profit' organisations that are not companies (this includes some charities)
- VAT divisions
- VAT groups (the deferral applies to the group registration only and not to any group companies that are not covered by the group registration)
- public sector entities that are required to provide additional information alongside their VAT return (such as Government departments and NHS Trusts)
- local authorities and public corporations
- traders based overseas
- those required to make payments on account
- annual accounting scheme users

These businesses will be mandated to use MTD from October 2019. HMRC has sent an individual letter to each deferred business to advise them that their start date is the beginning of the first VAT accounting period starting on or after 1 October 2019 rather than 1 April 2019. These letters include formal legal notification of the deferral of the start date and any business that wishes the deferral to apply must ensure that they receive the letter and should retain it carefully. A deferred business that does not receive a letter should contact the VAT helpline.

2.5 How you can choose not to be exempt from the rules and register for MTD on a voluntary basis

If you are exempt from Making Tax Digital (on the basis of turnover or the other exemptions) you may still choose to follow the Making Tax Digital rules.

To do this, you must tell HMRC before the start of the next VAT period that you want to use the Making Tax Digital service and also the date that your next VAT period begins. You will then be subject to the Making Tax Digital rules from the start of that next VAT period.

You may decide, for a later period, that you no longer wish to follow the Making Tax Digital rules. If you are still exempt from Making Tax Digital at that point, you can tell HMRC you want to leave the Making Tax Digital service and submit returns the way you submitted them before you chose to follow the Making Tax Digital rules. This will be from the start of the next VAT period following the date you told HMRC. You must tell HMRC in writing if you want to join or leave Making Tax Digital.