



Making tax Digital – MTD

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What is MTD?

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.

Check if you have to follow the MTD rules



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.

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

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)



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.

When does it apply from?



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.

VAT registered business with taxable turnover above the VAT registration threshold on 1 April 2019. 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

When does it apply from?



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

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.

Some businesses have a deferred start date



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

HMRC has written to each deferred business.

Digital record keeping



Accounting records must be kept digitally within functional compatible software – a software program, or set of software programs, products or applications, that must be able to:

- record and preserve digital records
- provide to HMRC information and returns from data held in those digital records by using the API platform
- receive information from HMRC via the API platform

Data transfer or exchange within and between software programs, applications or products that make up functional compatible software must be digital where the information continues to form part of the digital records.

Cut and paste is not a digital link - HMRC will allow a period of time ('the soft landing period') for businesses to have in place digital links between all parts of their functional compatible software.

For the first year of mandation businesses will not be required to have digital links between software programs.

Digital record keeping



Current versions of accounting software, e.g. SAGE/Xero/Quick Books, will act as your digital records and you will be able to submit VAT Returns direct from the programs

Spreadsheets are acceptable for use as digital records but you will need bridging software to submit your VAT Return from excel.

For older versions of accounting software you can export an excel/CSV file and use bridging software to submit your VAT Return.

There are many bridging software products available <https://www.tax.service.gov.uk/making-tax-digital-software>. Many speakers are recommending the Excel VAT Filer from Absolute Accounting Software Ltd and we will be using this product. It costs £40+VAT per annum. Details and a video demonstration can be found at:

<http://www.absoluteexcelvatfiler.co.uk/pages/absolute-excel-vat-filer>

Records that must be kept digitally



Supplies received

- For each supply you receive you must record the:
- time of supply (tax point), value of the supply, amount of input tax that you will claim

Summary data

- To support each VAT Return you make, your functional compatible software must contain:
- the total output tax you owe on sales, the total tax you owe on acquisitions from other EU member states, the total tax you are required to pay on behalf of your supplier under a reverse charge procedure
- the total input tax you are entitled to claim on business purchases, the total input tax allowable on acquisitions from other EU member states, the total tax that needs to be paid or you are entitled to reclaim following a correction or error adjustment

Records that must be kept digitally



Business Name: XYZ Business
Address: 6 Salop Road, Oswestry, Shropshire, SY11 2NU
VAT scheme: Flat rate
VAT Registration No: 124546856
Start Date: 01/04/2019
End Date: 30/06/2019

BOX 1	VAT due in this period on Sales and other outputs	
BOX 2	VAT due in this period on acquisitions from other EC Member States	
BOX 3	Total VAT due (the sum of boxes 1 and 2)	£0.00
BOX 4	VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC)	
BOX 5	Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	£0.00
BOX 6	Total Value of sales and all other outputs excluding any VAT. Include your Box 8 figure.	
BOX 7	Total value of purchases and all other inputs excluding any VAT. Include your Box 9 figure.	
BOX 8	Total value of all supplies of goods and related costs, excluding VAT, to other EC Member States.	
BOX 9	Total Value of acquisitions of goods and related costs, excluding VAT, from other EC Member States	



When to sign up

- Do not sign up until all pre MTD returns have been submitted (once signed up all returns have to be submitted under MTD)
- A confirmation email will be sent within 72 hours of signing up – do not submit any returns until you have received this email
- If you pay VAT by direct debit you will not be able to sign up in the 15 working days before your return submission date (including the submission date) and the 5 working days after it.
- If returns are filed before their due date, this can extend the sign up period.
- To submit a quarterly VAT return covering the period 1 April 2019 to 30 June 2019:
 - Only do this once the March 2019 Vat return has been submitted (due 7 May 2019)
 - If you do not have a DD set up you can sign up between 8 May and 4 August 2019
 - If you do have a DD set up you can sign up between 15 May and 17 July 2019



How to sign up

Use your existing Government Gateway account that you currently use to submit your VAT returns

Enter the details requested – Name, date of birth, National Insurance number or Company registration number and UTR

Choose a method to identify you – if you have a valid UK passport you can use the details from this

You will need to agree to receive email correspondence and not paper from HMRC (HMRC may introduce the ability to change back to paper at a future date). HMRC will email you to confirm your email address

You will receive a message in your Government Gateway account in the next 72 hours to confirm that you have signed up.



How we can help you

- Check if you have to follow MTD
 - Turnover calculations
 - Claiming an exemption
- Find your start date
- Record keeping
 - Assess your current records
 - Advise on, sell and set up SAGE software
 - Advise and help with any upgrades, set up spreadsheets
- Find your sign up date
- Signing up
- Filing your VAT returns



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