



Making Tax Digital for VAT

General guidance notes

Grants Chartered Accountants – March19

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Guidance Notes prepared by Grants Chartered Accountants

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1. **What is Making Tax Digital (MTD) for VAT?**

It is HMRC's new method for businesses to record VAT transactions and to submit VAT Returns.

VAT records must be kept digitally and submitted to HMRC via MTD compatible software.

HMRC have sent letters to all businesses who are currently VAT registered advising them, in general terms only we must say, of the introduction of the new rules.

2. **What businesses are affected?**

If you are VAT registered and have taxable income over the VAT threshold (currently £85,000) then you **will** be affected by the new rules.

If you are not currently VAT registered because you haven't reached the threshold yet, then you will **not** be affected by the new rules.

If you are VAT registered but your turnover is less than the threshold, you will **not** be affected by the new rules.

3. **When do the new rules come into force?**

The new rules come into force for the first VAT return period commencing after 31 March 2019. So, by way of an example, businesses who have a VAT return for the quarter to 31 March 2019, will submit that Return under the old rules but will need to submit their next Return for the quarter to 30 June 2019 under the new rules.

4. **Is there a Registration process?**

Yes, there is a separate registration process for MTD purposes.

We have reviewed the registration process and our opinion is that it does seem a bit more complicated than perhaps necessary however if you are effected by the new rules then you **must** go through the registration process.

We have prepared guidance notes which will help you in dealing with the registration process and also provide advice with respect to the timing of registration which is a very important consideration.

Once you register for MTD you will no longer be able to fill your VAT Returns through the HMRC website portal. Therefore if this is the way you normally submit VAT Returns it is important not to register too early.

5. **What changes will be required in connection with record keeping and VAT Return submissions?**

This will depend on how you currently submit VAT Returns to HMRC.

(i) Businesses who currently use Accounting software to generate VAT Returns

You will need to consider if your current accounting software is MTD compliant. To do this you should contact your software provider or review the HMRC approved list [here](#).

We are aware that some of our clients use cloud-based accounting packages such as: FreeAgent, Quickbooks and Xero. It is our understanding that these three packages are now MTD compliant.

If your software is MTD compliant then you should review your provider's guidance to ensure your account is setup correctly to file under MTD.

If your software is not MTD compliant, you should speak to your software provider to find out what MTD compliant options they may be able to provide to you.

Another possible option (if your software is not MTD compliant), to avoid having to change your accounting software, is to use what is known as "Bridging Software" which will effectively act as a link between your Accounting Records and the online filing of your VAT Returns.

(ii) Businesses who currently submit VAT Returns via the Government Gateway Portal

Under MTD it will no longer be possible to submit VAT Returns via the HMRC portal.

The good news is that it will still be possible to continue using Excel spreadsheets to maintain your accounting records, however, it will be necessary to use "Bridging Software" which effectively acts as a link between your accounting records and the online filing of your VAT Returns.

The changes mean that instead of using the figures you have calculated and entering them into HMRC's portal, you will have to link them to the bridging software which will then file the Return directly to HMRC.

If you currently submit VAT Returns using the Government Gateway portal and wish further information regarding bridging software then please contact us for advice as required.