

MAKING TAX DIGITAL FOR VAT

What is Making Tax Digital (MTD) for VAT?

MTD 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 that supports MTD for VAT. HMRC have outlined details of the provisions and rules in VAT Notice 700/22: MTD for VAT.

Who does it apply to?

Any VAT registered entity with a taxable turnover over the VAT threshold, which is currently £85,000.

What happens if my taxable supplies are below £85,000, but I have voluntarily registered for VAT?

These businesses can continue to be voluntarily registered for VAT but do not have to comply with MTD. They can therefore continue to use the VAT Gateway for filing their VAT returns.

What is the format of the records I will be required to keep?

Certain VAT records will have to be maintained digitally, using compatible software. The VAT return will be calculated and submitted via an Application Programme Interface (API). This will comprise of either direct software, API enabled spreadsheets or bridging software.

When does it apply from?

MTD for VAT will apply to the first VAT period commencing on or after 1 April 2019.



1 April 2019

Businesses and organisations that are VAT registered and above the VAT threshold of £85,000 must maintain their accounting records digitally by using HMRC compliant software or via a spreadsheet using a functional compatible software product that can make use of HMRC's API platform.



1 October 2019

Those organisations with complex VAT arrangements, including the following will not be required to comply with the rules for MTD until this date:

- trusts
- not for profit groups
- VAT divisions and VAT groups
- public sector organisations
- local authorities
- public corporations
- overseas traders
- annual accounting scheme users
- businesses required to make payments on account



1 April 2020

MTD will not be required for other areas of taxation until the system is shown to work for VAT and not until April 2020 at the earliest.

BRIDGING SOFTWARE AND MAKING TAX DIGITAL

Bridging software is an option that will ensure that you and your business are MTD compliant.

What is bridging software?

This is a digital tool (incorporating relevant MTD APIs) that is used to connect accounting software, including spreadsheets, to HMRC. It allows the required VAT information to be reported digitally to HMRC.

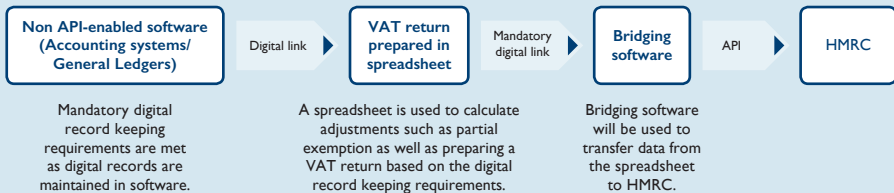
Why would I need to use bridging software?

Bridging software can be used in the following scenarios:

1. Where you want to continue to use spreadsheets
2. Where you are using bespoke accounting packages that are non API-enabled
3. Where there is a VAT group
4. Where partial exemption calculations are involved

Example of a business using accounting software, a spreadsheet and bridging software

If a set of compatible software programs is used there must be a digital link between these pieces of software with effect from the first VAT Period starting on or after 1 April 2020.



How we can help

Please get in touch with your usual contact for further information, or contact our Business Intelligence team at bi@milsted-langdon.co.uk to discuss the options available to you.

www.milsted-langdon.co.uk • advice@milsted-langdon.co.uk

Bath office:
01225 904940

Bristol office:
0117 945 2500

London office:
0203 150 1113

Taunton office:
01823 445566

Yeovil office:
01935 383500