

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.

DESKTOP SOFTWARE AND MAKING TAX DIGITAL

Is my existing desktop software compliant for MTD?

This will depend upon which desktop software you are currently running.



Bespoke software

If you are currently running a bespoke software package, you should contact your software provider to discuss your options.




Sage 50

If you are currently running Sage 50 it will depend upon which version of Sage 50 you are running and the level of your support package. If you are unsure, please contact us, and we can contact Sage on your behalf to determine whether you are compliant.

My existing software is not MTD compliant, what can I do?

As each business is different, the options available to you will vary depending upon your individual circumstances or requirements.

Your options may include:

-  Upgrading your desktop software package to an MTD compliant version (where available)
-  Changing to cloud accounting software which is MTD compliant
-  Remain on your existing software and use bridging software.



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.

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