Making Tax Digital:

A Guide for Businesses

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1.0. What is Making Tax Digital?

MTD stands for Making Tax Digital and is a part of HMRC's ambition to become one of the most digitally advanced tax administrations in the world.

MTD is about making fundamental changes to the way that the current tax system works.

Individuals, businesses and agents are all starting to see the benefits of digitisation. Millions of businesses are already banking, paying bills and interacting with customers or suppliers online. This is the direction that the world is moving in and for many this is how we expect to work and interact. HMRC needs to keep up with this transformation not just for those that have come to expect it but for everyone, so that everyone can start to enjoy the benefits that come with it.

The actual change required for businesses to comply with MTD is that they must maintain digital records and they must submit data to HMRC via new MTD APIs, so businesses need to ensure that they (or their agent) are using MTD compatible software.

There's been a lot of debate and discussion on the topic of Making Tax Digital (MTD), but HMRC has now confirmed that MTD for business will become mandatory, beginning with MTD for VAT from 1 April 2019.

Who is affected on 1 April 2019?

All UK businesses that are VAT registered and above the £85,000 VAT threshold will be required to keep their records digitally and submit VAT returns to HMRC using MTD-compatible software for the first VAT period starting on or after 1 April 2019. Other areas of MTD, such as Income tax and Corporation tax, have been put on hold until 2020 at the earliest.

The VAT notice published on 13 July 2018 states that, whilst the complete set of digital records to meet MTD requirements do not all have to be held in one place or program, there must be a digital link between the pieces of software used. This is now enforced by law.

You need to ensure that your business is ready to comply.

2.0. What does it mean for my business?

Things to consider:

Are you effected by the change?

If your turnover is above the VAT threshold (£85k) and you are not currently exempt from filing VAT online you will be affected from 1 April 2019.

Do you have the right software in place?

Speak to your current software provider to find if and when they will be updating their products for MTD. You might need to look around at alternatives or even bridging software if your current solution is not MTD compatible. The existing Government Gateway tool for filing VAT online will not be updated for MTD, so is not an option.

Are your teams aware of the changes?

It is really important that your teams are all fully aware of what is coming so that they can be prepared and ready to ensure that your plan can be put into action.

Do your staff need to be trained?

There are lots of training courses around covering the topic of MTD, but your teams might also need training on new or updated software.

How are you and your teams going to keep up to date with the latest news?

There are lots of useful resources available to keep you up to date on the changes coming, including HMRC and ICAEW.

3.0. Common questions

When will software be available ?

Software for keeping digital records is already available and many, like KashFlow, will be updated automatically to cope with MTD. There are many benefits to using online bookkeeping software, not just for MTD, but for greater accuracy and efficiencies too.

Bridging software that allows data to be imported from other sources such as spreadsheets and submitted onto to HMRC will be available, IRIS VAT Filer has this capability so you should speak to your accountant to see if this is the right solution for you.

Are there any exemptions? ?

According to the VAT notice, the Making Tax Digital rules do not have to be followed where HMRC are satisfied that:

▶ The 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 to use digital tools to keep business records or submit returns, for reasons of age, disability, remoteness of location or for any other reason

▶ The business is subject to an insolvency procedure

What records need to be kept as part of MTD for VAT? ?

Designatory data

You must have a digital record of:

▶ The business name

▶ Address of the principal place of business

▶ The VAT registration number

▶ Any VAT accounting schemes used

Supplies made

For each supply made you must record the:

▶ Time of supply (tax point)

▶ Value of the supply (net value excluding VAT)

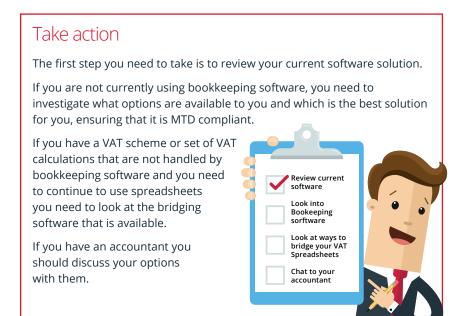▶ Rate of VAT charged

Supplies made

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

* The data submitted to HMRC is the same as it always was, there is no extra information provided. These records are not included in the submission to HMRC and HMRC cannot drill down into this data via the MTD APIs.

4.0. What do I need to do next?

Take action

The first step you need to take is to review your current software solution.

If you are not currently using bookkeeping software, you need to investigate what options are available to you and which is the best solution for you, ensuring that it is MTD compliant.

If you have a VAT scheme or set of VAT calculations that are not handled by bookkeeping software and you need to continue to use spreadsheets you need to look at the bridging software that is available.

If you have an accountant you should discuss your options with them.

✓ Review current software

☐ Look into Bookeeping sorftware

☐ Look at ways to bridge your VAT Spreadsheets

☐ Chat to your accountant

How

Speak to your current software provider to find out what their plans are for MTD. You need to ensure that the solution will be MTD compliant.

Speak to your accountant about what their plans are and how you can be prepared.

Your accountant can help you find the right software for completing your own bookkeeping, such as KashFlow or they can advise you on receipt capture tools, such as IRIS Snap, which allows you to just take pictures of your receipts and invoices so that they can manage your bookkeeping on your behalf.

5.0. Where can I find out more?

HMRC have published the following to help:

Guidance

HMRC Overview of MTD

Use software to submit your VAT Returns

Find software suppliers for sending VAT Returns and Income Tax updates

Video Resources

How to sign up for Making Tax Digital for VAT?

How does Making Tax Digital for VAT affect you?

Making Tax Digital for VAT - What is compatible software?

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