

The main title "Making Tax Digital" is displayed in a large, bold, black font. To the left of the text is a small icon consisting of three vertical bars of different heights and colors (blue, red, blue).

A guide for Agents



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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 need 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 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 with a turnover above the VAT threshold, currently £85,000, will be required to keep their records digitally and submit VAT returns to HMRC using MTD-compatible software. 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.

As an agent you need to ensure that your business is ready to comply as well as all your clients.

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. What about my clients?

Review

Look at which clients are above the VAT threshold and need to move to MTD.

It's also worth looking at clients that are VAT registered but below the VAT threshold to determine if they too should make the switch to MTD.

How are you going to monitor clients going forward to ensure that they move to MTD should their turnover increase?

Evaluate

Consider the solutions currently used by each of these clients. You need to ensure that they are right for them and you.

Digital records must be maintained, which can be a spreadsheet, but the data from those spreadsheets will need to be transferred to HMRC digitally, so bridging software might be required. Would a switch to bookkeeping software be a better solution?

Communicate

Educate and communicate with your clients. They need to know that these changes are coming and they are going to rely on you to ensure that they are still compliant.

If you need to move them to another solution they need to understand why and what the benefits are.

Train

There is currently little awareness of MTD amongst businesses, so they will appreciate any training you can provide them on this topic.

You may also need to consider training them on new tools and products if your evaluation deems this necessary.

4.0. 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.

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 and was released as part of the IRIS Autumn release in October 2018.

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



5.0. What do I need to do next?

Take action

The first step you can take as the agent on your MTD journey with HMRC is create your new Agents Services Account.

This account is required to be able to act on behalf of your clients with regards to MTD and will be used for all new HMRC services going forward.

The steps are simple, but there are quite a few elements so it is worth getting this done early.

These steps are all carried out on Gov.UK webpages, but here is where to start:

Create an account

When you create your new account you will be given a new User ID, a new Gateway Agent ID and an ARN, it is important that you make a note of all of these references.

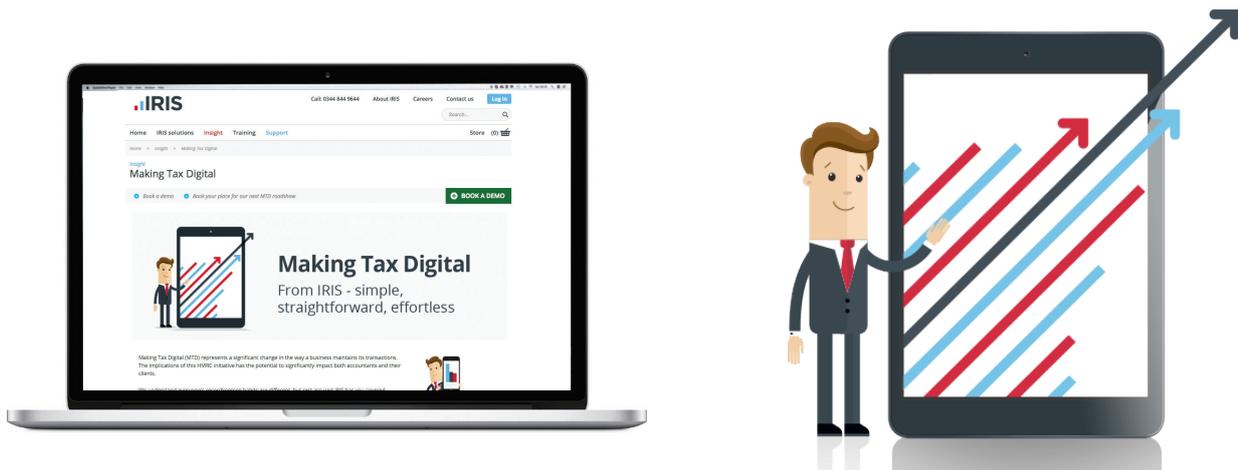
Once your account is setup, you will then have the option to link all your existing client relationships to this new account to save you having to get authorisation again.

The final step to be completed in the Gov.UK web pages is to register your clients for MTD. They can do this themselves or you can complete the task for them, but the registration process is for one client at a time and it must be completed before any MTD submission can take place.

A step by step guide to this whole process can be found [here](#).



6.0. Where can I find out more?



IRIS MTD Solutions

Visit our MTD Webpage to discover the solutions available to you and your clients.

We understand that it won't be possible to move all clients on to bookkeeping software, some will want to remain on spreadsheets and some may want you to take on the bookkeeping work, whatever the scenario we have a solution for you.

[Visit our MTD web page](#)

Other Resources

There are lots of other MTD resources available to you:

[HMRC Overview of MTD](#)

[HMRC Help and Support for MTD](#)

[HMRC Stakeholder communications pack](#)

[ICAEW Guidance on MTD](#)

[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?](#)

[Digital Record Keeping for VAT](#)

[Creating an Agent Services Account](#)

IRIS Software Group

Riding Court House, Riding Court Road,
Datchet, Berkshire, SL3 9JT

0344 815 5550

practicesales@iris.co.uk

iris.co.uk

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