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Making Tax Digital Demystified!

Making Tax Digital, the new filing requirement for VAT for periods commencing 1 April 2019, is not nearly as complicated as all the hype. So here we answer some common questions to help smooth the process for you.

Q: When do I have to start filing under MTD?

A: The first VAT return that must be filed under MTD is the first return starting after 1 April 2019 (unless you are deferred). Therefore, VAT returns for the quarter ended 30 June 2019 are the first returns that must be mandatorily filed.

Q: Do I have to file under MTD?

A: If your turnover is over the VAT threshold of £85,000 taxable supplies from 1 April 2019 you must file and account for VAT under MTD unless you are part of the deferral group.

You must have a letter from HMRC to say that you have been deferred if you are in the deferral group. This group includes trusts, 'not for profit' organisations that are not set up as a company, VAT divisions, VAT groups, those public sector entities required to provide additional information on their VAT return (Government departments, NHS Trusts), local authorities, public corporations, traders based overseas, those required to make payments on account and annual accounting scheme users.

You can also choose to file under MTD if your taxable turnover is below the VAT threshold and are therefore not required to do so. Once you choose to join MTD you cannot revert to the old system.

Q: Can I file under MTD early?

A: Yes. There is a pilot scheme for all businesses that are required to file under MTD from 1 April 2019 which is already open, and you can choose to join the pilot and file your next VAT return through MTD. Those businesses in the deferral group will have a pilot they can join, but this is not yet open.

Q: Do I have to sign up for MTD?

A: Yes. Through your Government Gateway account, on online through gov.uk you will need to sign up for MTD when you are ready. You will need your Government Gateway ID and password and the VAT number of the business.

If you pay VAT by direct debit, then you cannot sign up in the 7 days prior to the VAT return due date or the 5 days following the VAT return due date.

Q: My accountant files my VAT return, so will they sign up for me?

A: No. MTD sign up must be done by each individual client. If your accountant has your Government Gateway account details then you can ask them to do it for you, but they cannot sign you up through their own Government Gateway account which they may have used to file your VAT returns.

Q: Do I have to buy software?

A: No. If you have been preparing your VAT returns on spreadsheets, you can continue to do so. You will need bridging software to link the cells of your spreadsheet to HMRC.

If you need help with the bridging software, then we use some bridging software that we can help you to set up to use or we can file your VAT returns using the bridging software from your spreadsheets.

Q: What software should I use?

A: For many businesses, digital record keeping using software is recommended, due to ease of storage, simplicity of reconciliations and access to instant data. Ask us if you would like our recommendation for your business.

If you decide to move across to accounting software then there are various options to choose from which are MTD compliant. The common ones are Xero, QuickBooks and Sage but there are many others. HMRC have issued a list of all compliant software for MTD, including bridging software to use with spreadsheets. https://www.tax.service.gov.uk/making-tax-digital-software

Q: Do I have to pay my accountant to prepare my VAT returns in order to comply?

A: No. Either if you have accounting software that is enabled for MTD or you are using spreadsheets with bridging software, then you can still file the VAT returns yourself. We can file them for you, if you find the software tricky but it is not a requirement. We can also help get you set up on new software or with the bridging software so that you are set to file the returns yourself.