MTD "Making Tax Digital" or just "More To Do"?

There are estimated to be 1.1 million businesses that will be affected by the new Making Tax Digital (MTD) rules from April 2019, of which around 40% continue to have their head in the sand and countless businesses are not even aware of MTD! Some businesses will need to get prepared for the new regulations.

What is MTD?

MTD is the first step in HMRC's transformation to digitalise the UK tax system. MTD starts in April 2019 with MTD for VAT.

Who is affected by MTD for VAT?

You are within the MTD for VAT requirements if:-

- Your business or organisation is VAT registered; and
- You have taxable turnover above the VAT threshold of £85,000

Once a business is required to comply with the MTD for VAT requirements, the obligations continue, even if the turnover of the business subsequently drops below the VAT threshold.

What is required from MTD?

From April 2019, if you are affected you will need to:-

- Maintain your accounting records digitally in a software product or spreadsheet.
- Submit your VAT returns to HMRC using a functional compatible software product.

How to meet the requirements?

Relevant businesses will need to acquire a suitable commercial software product or appoint an agent to submit returns to HMRC on their behalf.

HMRC's online VAT return will remain available only to businesses that are voluntarily registered for VAT (i.e. businesses that complete a VAT return but have taxable turnover below the VAT threshold).

MTD for VAT functional compatible software must be able to:

- Keep records in a digital form.
- Preserve records in a digital form.
- Create a VAT return from the digital records.
- Provide HMRC with VAT returns and voluntary information by using the API (application program interface) platform.
- Receive information from HMRC using the API platform. This will include messages about a requirement to file and confirmation of successful filing and will allow HMRC to send 'nudge' messages to the business/agent.

The use of spreadsheets, either to record individual transactions or as part of a suite of software and spreadsheets, is permitted. However, the spreadsheet will need to be either API enabled or used in combination with an MTD compatible software product so that data can be sent to and received from HMRC systems; an existing spreadsheet alone is not a free way to comply with the MTD for VAT requirements.

Where the records are maintained in more than one program or product there must be digital links between each of the pieces of software.

Is there more to do?

For some businesses, there will be no change required and they will continue to file their VAT returns from their software.

The VAT return submitted to HMRC will contain the same nine boxes that it does at present, but additional information can be submitted on a voluntary basis.

However, for many there will be an additional cost; to purchase or upgrade software or for their agents to submit digitally on their behalf.

If you have any questions on MTD or would like any assistance in meeting the new requirements, please contact Clair Dart.

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