

FOCUS ON

Top tips for navigating Making Tax Digital for VAT - what do I do next?

MTD for VAT is now live and businesses and advisers are turning their minds to how to deal with this unpopular measure. Below we provide answers to the most common questions.

Shall I register for Making Tax Digital now?

Yes, but only if you submit monthly VAT returns. If you submit quarterly returns and register now, you will be in the pilot system. This may suit you and there may be advantages in being one of the first as more support will be available. However, we find that most people just want to join when they have to.

When Should I register for Making Tax Digital?

Once the deadline has passed for your last "normal" VAT return. A business joining for the 06/19 VAT Return (which will be first quarterly VAT return affected) should only register from 8th May if no direct debit or 15th May if payment is made by direct debit.

This is because the due date for payment of the last "normal" return of 03/19 is 7th May, or 10th May if there is a direct debit payment made.

Please do not apply too early otherwise you will end up in the pilot scheme and submitting under MTD when you may not be ready to.

Businesses on monthly returns can register for their 04/19 return now. Go to www.gov.uk and search for 'sign up for making tax digital'.

What happens when I register for Making Tax Digital?

HMRC will send an email to you within 72 hours. Do not attempt to submit any returns until you have this confirmation.

What if I am exempt from Making Tax Digital because my taxable turnover is below £85,000?

You can carry on as normal and submit your VAT returns through the government gateway. There is no need for you to notify HMRC.

I am an overseas trader so I do not need to start MTD before October 2019, but I have a letter from HMRC, telling me I start from 1 April 2019 because my address is my accountant in the UK.

You can write to HMRC notifying your overseas status and register from 1 October 2019.

I am in a VAT group and heard that I should only start from 1 October 2019, but I haven't had a letter telling me that. What should I do?

Where deferral until October 2019 is appropriate (VAT Groups; charitable trusts etc) this only applies if HMRC have confirmed by letter (most of those affected either have or will receive a letter). No letter = no deferral. If you think you are eligible for deferral and have not had a letter you need to contact HMRC.

Will I get into trouble with HMRC if I do not register for Making Tax Digital and start submitting returns in this way?

HMRC has indicated that they intend to impose flat penalties on those MTD liable taxpayers who continue to use the gateway. HMRC currently has the power to charge a penalty of up to £400 for filing a VAT return other than electronically without the prior agreement of HMRC. This power has been rarely used but will be extended to the obligation to file VAT returns using functional compatible software. HMRC is expected to operate a soft landing where the trader has made reasonable efforts to comply.

What is a digital link?

A 'digital link' is one where a transfer or exchange of data is made, or can be made, electronically between software programs, products or applications. That is without the involvement or need for manual intervention such as the copying over of information by hand or the manual transposition of data between 2 or more pieces of software. A digital link includes linked cells in spreadsheets, for example, if you have a formula in one sheet that mirrors the source's value in another cell, then the cells are linked.

HMRC will also accept digital links as:

- emailing a spreadsheet containing digital records to a tax agent so that the agent can import the data into their software to carry out a calculation (for instance, a Partial Exemption calculation)
- transferring a set of digital records onto a portable device (for example, a pen drive, memory stick, flash drive) and physically giving this to an agent to import that data into their software
- XML, CSV import and export, and download and upload of files
- automated data transfer
- API transfer

I have heard that everything needs to be digital but my software supplier is not compliant.

If you are not able to upgrade your accounting software to be MTD compliant then you can use bridging software. This can be in the form of an API enabled spreadsheet. This will mean that you can prepare your VAT return final figures (box 1-9) in an Excel spreadsheet and upload this to an API spreadsheet. This submits to HMRC in the way they require. Alternatively, MHA MacIntyre Hudson can submit your return to HMRC. Please contact us for help.

I use an agent to submit my VAT returns.

You can carry on doing this. Your agent will be able to register you for MTD. Agents are required to set up all their clients via an agent's portal. If you use MHA MacIntyre Hudson to submit your VAT returns, we will be able to take your Excel spreadsheet and submit to HMRC using our own bridging software. We will need to issue revised engagement terms. Please contact us if you need help.

The thought of the new system is daunting, what if I can't make it work?

Telling HMRC and keeping the communication channels open will be important. Take screen prints of your attempts to submit a return to show that you have made reasonable efforts to comply. We recommend that you always pay your VAT liability on time, even if you have had problems in submitting your VAT return.

Contact us



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