



How can Blue Peak help?

Making Tax Digital is designed to simplify the tax administration process in the long term but, there will obviously be a transition period that needs to be worked through. We can discuss any implications that the legislative changes will have and help you to decide what action is required to ensure compliance with the new regulations.

Making Tax Digital for VAT

Making Tax Digital for VAT goes live on 1 April 2019 - are you ready?

WHAT IS 'MAKING TAX DIGITAL' (MTD)?

The UK government is seeking to become one of the most digitally advanced tax administrations in the world with the aim of making it easier for both individuals and businesses to get their tax right and keep on top of their affairs.

In order to advance the digital administration of the tax system, the UK government is working towards getting individuals and businesses to maintain their records online and file tax returns online using HMRC compatible software.

Following consultation with, and concerns from, businesses and individuals, the government has decided to roll out the proposed digitalisation for VAT periods starting on or after 1 April 2019 onwards but, push back plans for other taxes (including corporation tax) until at least 2020.

WHAT ARE THE CHANGES?

- ✓ From 1 April 2019, individuals and businesses who meet the criteria, will need to keep their records in digital form and file their VAT returns online using HMRC compatible software.
- ✓ MTD for VAT does not require additional records to be kept, but just for them to be recorded and submitted digitally.

WHO IS IMPACTED BY THE CHANGES?

From 1 April 2019, VAT registered individuals and businesses that are above the VAT registration threshold (currently £85,000) will need to maintain their records in digital form and submit their VAT returns online using HMRC compatible software.

There are a small number of exceptions (mainly where the VAT requirements are complex, such as Trusts) where the implementation will be delayed until 1 October 2019. Delayed implementation will only impact a small minority of cases, meaning that most VAT registered individuals and companies above the registration threshold will fall within the rules from 1 April 2019 onwards.

WHAT IF I AM VOLUNTARILY REGISTERED FOR VAT?

If you are voluntarily registered for VAT and your taxable turnover is under £85k you can choose to voluntarily opt in to MTD. Once you are using MTD you can not opt out even if your turnover remains below the VAT registration threshold.

If you decide not to voluntarily register for MTD you must monitor your turnover on a monthly basis to see whether your turnover for the previous 12 months exceeds the registration limit (currently £85k). If it does you will be required to register for MTD immediately. HMRC has stated that the onus is on the individual/business to monitor and register when required - they will not be providing a warning system.



WHEN WILL I BE REQUIRED TO FILE USING MTD?

MTD becomes compulsory from 1 April 2019 and applies from the first VAT accounting period starting on or after 1 April 2019. For example;

- If you file quarterly returns and your VAT accounting period ends 31 March 2019, you will be required to submit your first MTD return for the quarter ending 30 June 2019.
- If you file quarterly returns and your VAT accounting period ends 30 April 2019, you will be required to submit your first MTD return for the quarter ending 31 July 2019.
- If you file monthly returns you will be required to submit MTD returns from 1 April 2019.



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Making Tax Digital for VAT

WHAT DO THE CHANGES MEAN IN PRACTICE?

Businesses commonly keep their records in digital format, via various software programs and applications. Under MTD however, the software used must be capable of maintaining the specified data, preparing the VAT return from the digital records and then communicating with HMRC digitally to submit the VAT return.

Depending on how you currently maintain your data and submit your VAT return will impact what action is needed.

Single HMRC compatible digital software package

If you are already using a 'single' HMRC MTD approved software package to digitally maintain your accounting data and submit the VAT return to HMRC, no further action is likely to be required. You should check that the system being used is compatible with HMRC MTD systems.

Accounting data in digital software but, separate VAT return process

If you are currently maintaining your accounting records digitally in a HMRC compatible software system but, then submitting your VAT returns as a separate exercise outside the software system, it might be possible to upgrade the software package being used to include the functionality to prepare and digitally submit the VAT return from the data. You should review the functionality of the current system and amend as necessary.

Software currently not being used

If you are currently not using software to maintain your accounting data, and are maybe using a series of excel spreadsheets, it will be necessary to consider the way in which your information is maintained and VAT returns created and submitted.

HMRC is promoting online accounting systems, such as Xero. There are many benefits to using these systems, including the ability to link directly to bank accounts and run all invoices and payments directly from the system. It also allows the financial position to be viewed in real time at a glance, and often on the move. These online systems can then automatically calculate and electronically submit VAT returns.

Excel spreadsheets can still be used (instead of software and accounting packages), but must maintain the required data digitally, have appropriate digital links between spreadsheets and will require bridging software to make the spreadsheets MTD compatible so that the VAT return can be sent digitally to HMRC. If this approach is to be adopted you will need to review the way in which data is held, how the spreadsheets are digitally linked and how the summary record can exchange data digitally with HMRC.