

Making Tax Digital for VAT Returns

Making Tax Digital (MTD) is the most fundamental change to the administration of the tax system for at least 20 years. The first direct impact of MTD for many small businesses will be on VAT return preparation and VAT record maintenance.

The essential elements for businesses and organisations of the new VAT requirements are:

- **Paper records will no longer be sufficient:** It will become mandatory for almost all businesses and organisations (self-employed, partnerships; limited companies and others) to use software or a spreadsheet to keep accounting records. Paper accounting records will cease to meet the requirements of tax law.
- **Returns and quarterly reporting:** There will be a requirement to submit VAT returns quarterly to HMRC, directly from software.

We will support you through these changes and provide the ongoing services that you may need. However, the changes are so fundamental that it will be necessary for you to review your current record keeping systems and to consider if you are compliant with the new requirements.

When will MDT have an impact on VAT returns?

If your business is registered for VAT and your turnover is above the VAT threshold of £85,000, you will be required to keep digital accounting records and to file your VAT returns using MTD compliant software from 1 April 2019 (i.e. the first VAT period starting on or after 1 April 2019). The current online VAT return on the HMRC website will no longer be available.

If your business is voluntarily registered for VAT and your turnover is currently below the VAT threshold of £85,000, you will not be required to keep digital accounting records or to file your VAT returns using MTD compliant software until at least 2020. However, you do need to monitor your annual turnover each month, and if it increases above £85,000 you will be required to comply with MTD for VAT rules. The current online VAT return on the HMRC website will not meet the MTD requirements but will continue to be available until at least Spring 2020 for businesses voluntarily registered for VAT.

What do I need to do now?

We may need to discuss your transition to MTD with you so that you are ready for MTD reporting for VAT by Spring 2019.

- If you currently use accounting software it may need to be upgraded.
- If you currently maintain records on a spreadsheet you will need to acquire software which will allow returns and updates to be made directly from the spreadsheets.
- If you currently maintain records on paper your processes will need to change. You will need to acquire and use appropriate software.
- If your business is in scope for MTD for VAT from 1 April 2019, you need to have access to your HMRC online business tax account. You can apply for this on the HMRC website (online services).
- Although it is unlikely, you may need to consider the possibility of applying for a digital exclusion exemption from HMRC.

If you require our help with any of the points listed above please contact Lucy Smith on 01299 832713 or email lucy@kimberlee.co.uk