



## Making Tax Digital

During July 2018 HMRC has published VAT notice (700/22) giving details as to how the new “Making Tax Digital for Business” (MTD) should be adopted.

Every VAT registered business with a taxable turnover in excess of £85,000 will be expected to meet the MTD requirements for VAT periods starting from 1 April 2019. Businesses that have voluntarily registered for VAT and have a taxable turnover under £85,000 will not currently be expected to comply.

The major implication of MTD is that some records will need to be kept digitally within “functional compatible software”, specifically:

- Business name, address, VAT registration number and any accounting scheme used;
- For supplies made, the tax point date, value and VAT rate of each and every supply; and
- For supplies received, the tax point date, value and amount of input tax claimed for each and every supply.

Additional implications are that:

- VAT Returns can only be submitted electronically using functional compatible software communicating with the HMRC “Application Programming Interface” (API) (not through the existing web site);
- VAT error corrections or adjustments, such as Partial Exemption or Flat Rate, must be made within the digital records (although may still be calculated independently); and
- If separate records are kept for different parts of the same business then these are expected to be consolidated using a digital link, which will become mandatory from 1 April 2020.

### What do I need to do to ensure my business complies?

Review how records are being kept.

- Many providers of software are either already compatible or expect to be compatible before 1 April 2019 although some may still require the most recent release or update;
- A spreadsheet will still meet the digital record requirement provided the correct details are included, however an additional piece of “bridging software” will be required to communicate with the HMRC API to submit the Return; or
- If records are being kept on paper then the details of each transaction outlined above will need to be recreated onto a spreadsheet or into functional compatible software before submitting VAT Returns.

HMRC has published a list of approved applications - <https://www.gov.uk/government/publications/software-suppliers-supporting-making-tax-digital-for-vat/software-suppliers-supporting-making-tax-digital-for-vat> which can be reviewed.

Exemptions are available where:

- It is not reasonably practical to use digital tools for reasons of age, disability, remoteness of location;
- The business is subject to an insolvency procedure; or
- Religious beliefs prevent use of computers.

However it will be necessary to discuss and gain approval for this exemption with HMRC.

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If you require any advice or assistance on the above please contact either Paul Fisher or David Greenwood at our Faversham office.

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