

Making Tax Digital for VAT Are you ready?



? What is MTD for VAT?

The Making Tax Digital (MTD) initiative is HMRC's ambitious plan to turn HMRC into one of the most digitally advanced tax administration systems in the world. It will cover all taxes, including income tax and corporation tax. First up is VAT.

What is the aim of MTD for VAT?

To close the **£12 billion** VAT gap.

(The gap is the difference between the tax HMRC calculates it should be collecting and the amount it actually does).



How will MTD for VAT help businesses?

- Improved record keeping
- More awareness of one's tax liabilities
- Reduce errors and omissions prevalent in the current manual systems

When do the MTD requirements for VAT take effect?



How many businesses does this affect?

2.3 million UK VAT registered businesses whose turnover exceeds the VAT registration threshold (currently £85,000)



How do businesses currently complete UK VAT returns?



Manually



XML spreadsheet



Software

How is VAT changing?

From April 2019, paper returns will not be allowed, and the current manual/HTML HMRC online portal will close.

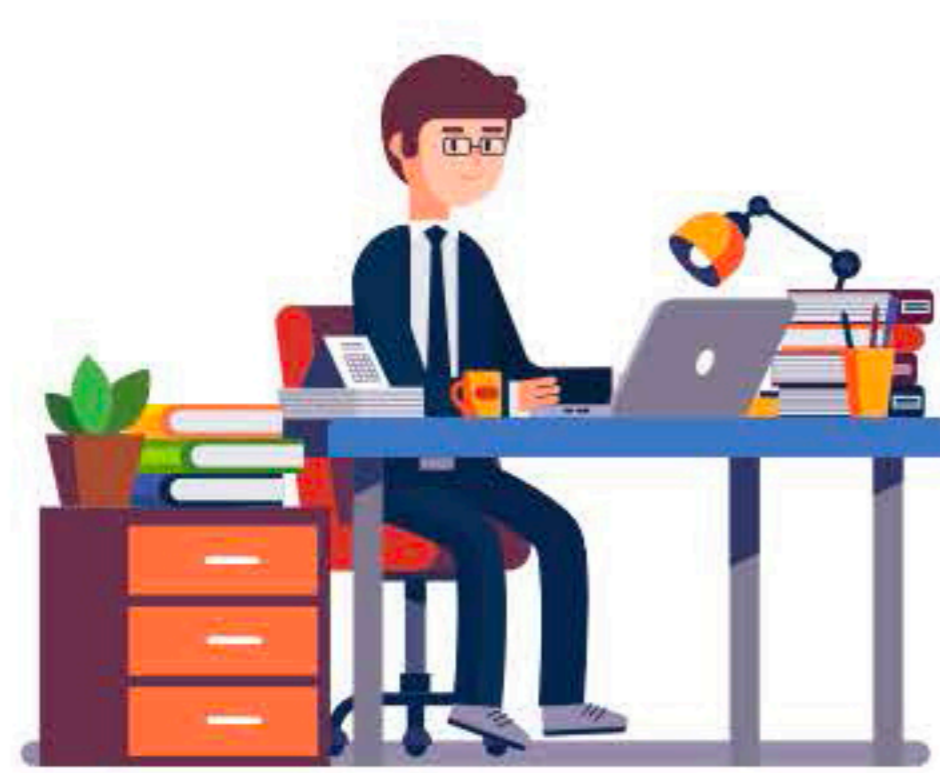
Under the MTD for VAT system all VAT registered businesses will be required to:

- store transaction data electronically,
- submit their VAT returns to HMRC digitally (via an API-enabled spreadsheet, or bridging software)



How will MTD for VAT work?

- All businesses will complete 4 quarterly filings.
- VAT return data will be generated from digital business records
- The data will be gathered by a functional compatible software or app
- Data will be securely transmitted to HMRC via the MTD API route



Is HMRC providing free software?

There will be no free software from HMRC to help businesses. It will be the businesses' responsibility to find the tools they require.



What records will businesses need to keep?

- Name of business
- Place of business (address)
- VAT number
- VAT accounting schemes used, if any
- The VAT account
- Total adjustments



What information about VAT sales and purchases need to be maintained?

- Date of supply
- Net value
- VAT charged
- Totals of adjustments and corrections made to the VAT account
- Totals of sales VAT by different VAT rates
- Daily Gross Takings (DGT) for retailers using a retail scheme



What are the penalties?

HMRC will pursue a points based penalty model. Under this model, businesses will receive a penalty point every time they fail to file a return on time. Depending on the frequency of the submission obligations, penalties will be charged at a certain threshold. Once the thresholds have been reached, a penalty will be charged for every submission failure:

- 2 points for annual submissions
- 4 points for quarterly submissions
- 5 points for monthly submissions



Any actions accountants can take immediately?

- Analyse client base to find out which clients are affected by MTD VAT, their quarterly VAT end dates, and how they submit VAT
- Communicate with the clients how MTD for VAT affect them, and what they need to change
- Show your clients the tools they need, give them training and review training to iron out errors



WHAT NEXT?

QXAS is committed to helping accountants of all sizes stay compliant and meet the changing demands of HMRC. We can help you take care of MTD for VAT for your clients. Speak to QXAS to see how we can help you implement MTD for VAT and be ready on time.