

Making Tax Digital (MTD)

We would like to introduce the government's new revolutionary digital tax system – 'Making Tax Digital' (MTD) which came into force for periods starting from 1 April 2019.

The introduction of MTD will require most VAT-registered businesses that make taxable supplies over £85,000, to maintain all their VAT transactions as digital records. Submission of VAT returns to HMRC will require MTD-compliant software. VAT returns prepared for periods beginning on and after 1 April 2019 will usually have to be submitted using MTD enabled software.

Why MTD?

The primary aim of Making Tax Digital is to make tax administration more effective, efficient and easier for tax payers through the implementation of a fully digitalised tax system by 2020.

HMRC believes that, by allowing a computer program to gather up all the tax-related data and transmit them directly to HMRC's computer via MTD-enabled software, the errors introduced by humans will be eliminated.

The government has also outlined some of the key benefits of the MTD scheme for businesses, including the ability to know where they stand when it comes to tax affairs; being able to access tax information online in one place; being able to work collaboratively with an agent; and being able to plan and budget effectively. These benefits will enable businesses to drive performance and successfully manage their financial affairs.

<https://www.gov.uk/guidance/making-tax-digital-for-vat>

Software

Businesses will no longer be able to use HMRC's portal and will need to file VAT returns using Application Programming Interface (API) enabled software.

The options available to you will depend on your existing system. If you currently use accounting software you should check what upgrades they are providing as not all software developers are providing a solution to Making Tax Digital. The costs associated should also be considered.

If you are currently using spreadsheets to prepare your VAT returns, then you will need to use MTD-compliant software or bridging software to digitally file your VAT with HMRC as you will not be able to use the existing portal.

You should ensure that the current software is compatible and authorised by HMRC. Ask your software supplier if do you do not know how. For a list of software that are compatible with 'Making Tax Digital' visit –

<https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-vat>

Registration

1. Visit <https://www.gov.uk/guidance/sign-up-for-making-tax-digital-for-vat>
2. Click Sign up your business for Making Tax Digital and follow the on-screen prompts.
3. When prompted, enter your Government Gateway credentials then click Sign in. (If your business is not yet eligible to sign up to MTD, a message appears to advise this.)
4. Follow the on-screen prompts, providing any requested information.
5. When you receive a verification email, click the link in the email to verify your email address.
6. Read and accept the terms of participation.

HMRC will then confirm if you can start submitting VAT Returns under MTD – this confirmation usually occurs within 24 hours. When submitting under MTD, businesses can continue to use their existing Government Gateway user ID and password credentials.

The MTD programme will be introduced for other taxes in the future. Please speak to one of our team if you need further clarification on MTD.

Although not all of the actions may be relevant to you, I would strongly suggest that you do spare a few moments to review the above to ensure that you are aware of matters which you may want to consider.

Summary of Suggested Deadlines

Quarter end dates	Last non-MTD submission for period ended	Last non-MTD return submission deadline	Sign up to MTD between	First MTD return submission deadline
31 March, 30 June, 30 September, 31 December	31 March 2019	7 May 2019	15 May 2019 and 16 July 2019	7 August 2019
30 April, 31 July, 31 October, 31 January	30 April 2019	7 June 2019	15 June 2019 and 16 August 2019	7 September 2019
31 May, 31 August, 30 November, 28 February	31 May 2019	7 July 2019	15 July 2019 and 16 September 2019	7 October 2019

If you do consider that there are any areas that you would like to discuss with us, please contact any of the partners on 0207 490 5525.

Other Useful Links

<https://www.xero.com/uk/resources/making-tax-digital/small-business-resources/mtd-faq/> FAQs for Xero

https://ask.sage.co.uk/scripts/ask.cfg/php.exe/enduser/std_adp.php?p_faqid=42735 FAQs for Sage

<https://quickbooks.intuit.com/uk/making-tax-digital/> FAQs for Quickbooks

This letter is written for the benefit of our clients. Further advice should be obtained before any action is taken.

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