Making VAT Digital
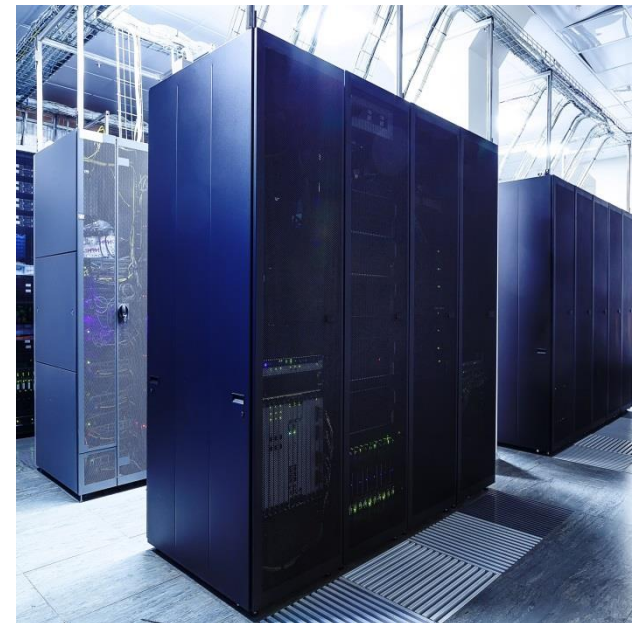
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Making Tax Digital

- Introductions

- Wide-ranging HMRC initiative aimed at taking tax compliance online

- Modernising the tax system, reducing costs of monitoring compliance at HMRC's end, closing the "Tax Gap" - £33bn

- VAT first, followed by Business Income Tax, Corporation Tax then Individual Income Tax

- Timetable has stretched but HMRC/Treasury determined to drive changes through

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What is 'MVD'?

- After 1 April 2019 all VAT registered businesses with turnovers over the VAT threshold (£85,000) must submit VAT returns using software digitally linked to their accounting systems

- Stepping stone in Government's plans to make tax digital

- There is no change to VAT accounting rules or payment/submission deadlines

- The VAT return information that must be submitted is the same nine boxes as the current VAT return

What does MVD really mean?
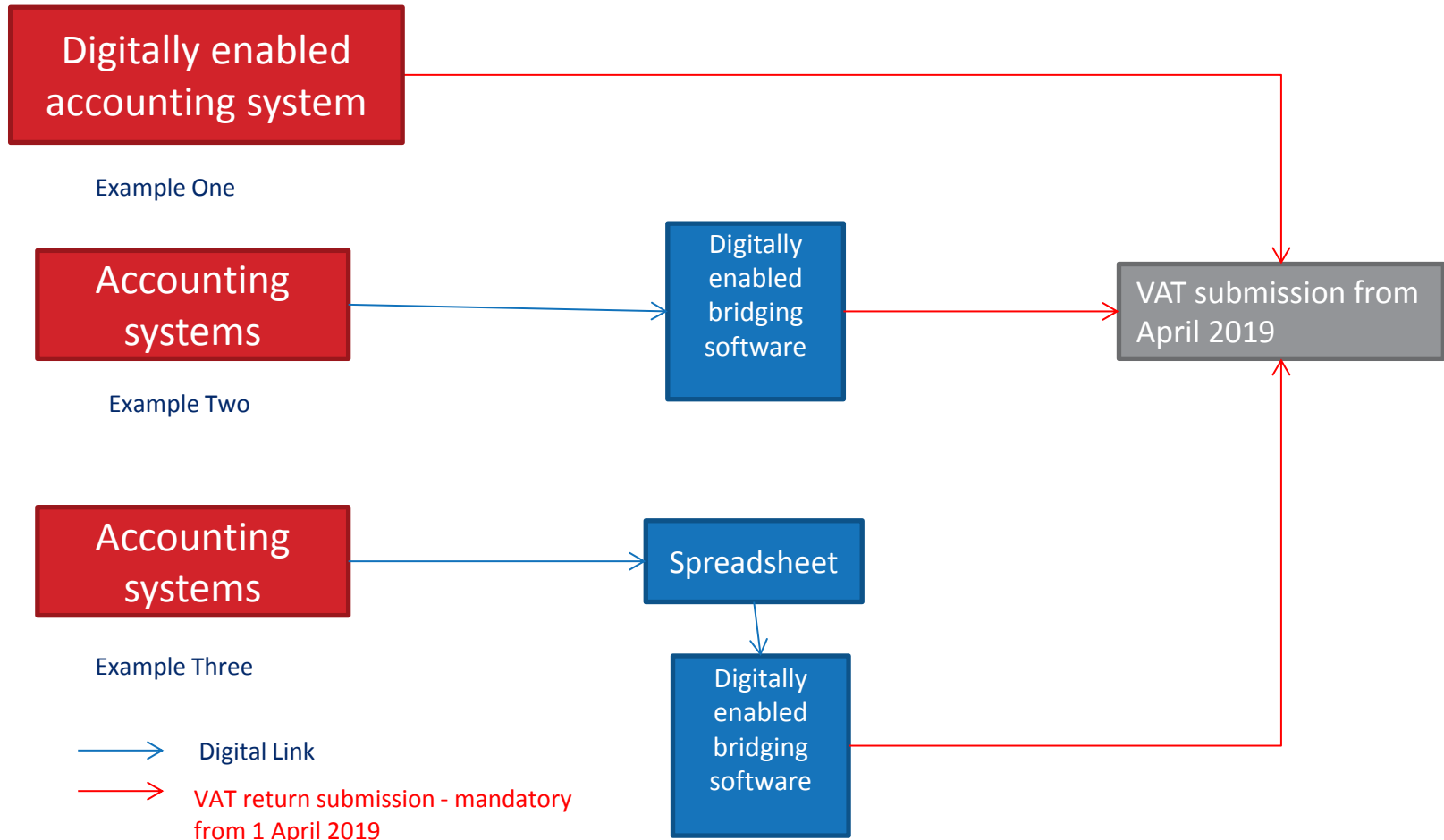
MVD requirements

- HMRC's current VAT online portal will be 'switched off' for businesses that are affected by MVD (after 1 April 2019)

- Businesses affected will need 'enabled' software to be able to submit their VAT returns due after 1 April 2019

- This 'enabled' software could be:

  a. your current accounting system (if it has been updated to be MVD ready); or

  b. Another piece of software (such as an enabled spreadsheet)

- If you use software outside your accounting system it must be 'digitally linked' to your accounting system

- There are also new record keeping requirements

Are software/system changes required?

- 'Digitally linked' simply means that there must be a digital link between your accounting records through to the VAT return submission

- Ideally, HMRC want your accounting system to run the VAT report and that is used to submit the nine boxes of required information

- HMRC recognise that is aspirational and accept that a 'digital link' could involve other processes linked to the accounting system to submit the VAT return

- HMRC are mandating that certain information is kept in the accounting system from 1 April 2019

MVD and the digital 'links' in practice

Digitally enabled accounting system

Example One

Accounting systems → **Digitally enabled bridging software** → **VAT submission from April 2019**

Example Two

Accounting systems → **Spreadsheet** → **Digitally enabled bridging software**

Example Three

→ Digital Link

→ VAT return submission - mandatory from 1 April 2019

What action needs to be taken and by when?

- From 1 April 2019 VAT return must be submitted using enabled software

Currently no expectation this date will move

- From 1 April meant to 'digitally link' VAT submission information to accounting systems

HMRC have announced a 'soft landing' period where they will not penalise non-compliant businesses until 1 April 2020

Is your accounting system currently MVD ready?

Will your accounting system be MVD ready by 1 April 2019?

Direction of travel: where is MVD taking business/HMRC?

- Could HMRC hold up VAT repayments if records not in compliance with new rules?

- Will VAT inspections and reviews be conducted entirely electronically/remotely with HMRC running records through their digital scanning software?

- Will HMRC expand MVD to insist that additional VAT return information is submitted (to supplement the existing nine boxes)

Want to know more?

- ## HMRC Public Notice:

    - https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat

- ## Chartered Institute of Taxation:

    - https://www.tax.org.uk/policy-technical/technical-news/making-tax-digital-vat-main-issues-consideration

Making VAT Digital

- HMRC is working with more than 150 software suppliers in time for April 2019

- Published list of 60

- Industry to speak to Software providers / Saffery involvement

Questions