

MTD

ACCOUNTING SERVICES

What is Making Tax Digital for VAT?

MTD automates more of data submitted to HMRC. This new UK MTD VAT system replaces manually processed data with digital processes, using MTD HMRC compatible software.

The new requirements will benefit everyone, by saving administration time, reducing errors, as well as cutting the risk of penalties and ultimately, business costs by enhancing efficiency. While confusing to begin with, in the long run business owners will enjoy greater clarity, confidence and transparency when sharing data.

Businesses complying with Making Tax Digital for VAT regulations will need to maintain their VAT records in a digital format and file VAT returns quarterly (at least) using HMRC MTD-compatible software

Who Is Affected By MTD for VAT?

HMRC is gradually rolling out MTD, starting with VAT registered businesses meeting the current turnover threshold. In the initial roll out, you must be HMRC MTD software compatible, if you have a taxable turnover above £85k (currently) when the new regime begins on 1st April 2019.

If both conditions apply to your business, you'll need to be compliant, unless you meet exemption criteria, such as those entities listed below.

What are MTD HMRC-Compatible digital records?

A standard spreadsheet is sufficient for maintaining your VAT records. However, a digital link in bridging software is needed to smoothly file your MTD VAT return with HMRC. There are also a range of software packages that support HMRC linkage. If you are unsure if your digital systems will facilitate compliant submissions, ask your accountant to help.

To submit your return via spreadsheets into HMRC-recognised MTD software, your final values in your VAT return must be imported into HMRC-recognised, MTD-compliant software using something called 'bridging software', which may be an add-on to some systems, or may already be integrated into some accountancy software packages. QuickBooks users, for instance, even if using spreadsheets still will be MTD ready. Some accountancy packages already include a bridging link option to import spreadsheet data into your accounting software, then submits your HMRC VAT return.

HMRC require the following data to be kept digitally for MTD VAT compliance purposes:

- Business name and contact details
- VAT number and scheme used
- Adjustments
- VAT on supplies made and received
- Time of supply or receipt
- Net value (excluding VAT)
- Rate of VAT charged, or VAT you will claim back
- Daily Gross Takings for retail scheme users
- Value of sales made under the Gold Accounting Scheme (if applicable)
- Total output tax on purchases under the Gold Accounting Scheme

Choice of software partner, or accountancy support is key to avoiding costly penalties from errors or late submissions. Meer & Co's updated MTD HMRC-compatible software will:

- record your financial transactions in digital formats allowing clearer cross reference of data
- link your business and VAT information with all your financial operations transactions
- compile your VAT data from transactions stored in e.g. QuickBooks (among other platforms)
- automatically calculate any VAT you owe
- smoothly transfer your VAT data directly to HMRC
- automatically remind you when your VAT return is due

From 1 April 2019, current HMRC online VAT return filing will be closed to VAT-registered businesses required to comply with Making Tax Digital, so you will not be able to continue using HMRC's online tax services. Ask us about taking care of your MTD compliance in time for your deadline.



Steps To MTD Compliance

Before April 2019, you will need to:

- Register for a Government Gateway account, unless you already have one, to get an activation code through the post. Go to www.gateway.gov.uk to sign up in time.
- Choose your HMRC-compatible software from their website or speak to your accountant about their MTD service.

Choosing Outsourcing to Your Accountant?

You may authorise your accountant or bookkeeper to undertake your MTD VAT submission. Speak to an expert about your current accounting software and how using theirs helps. Maintaining your VAT records in future can be a simpler, stress-free, efficient and transparent process. Let our team at Meer & Co help you potentially make tax savings and gain more time to grow your business.
