News story: HMRC publishes more information on Making Tax Digital

HM Revenue and Customs (HMRC) has today published further information on Making Tax Digital (MTD) to support businesses and agents in the run up to start of the mandatory MTD VAT service from April 2019.

This includes:

Together, these provide additional clarity that businesses and their representatives have been asking for.

As part of MTD, businesses registered for VAT with a taxable turnover above the VAT registration threshold of £85,000 will need to keep VAT records digitally and file their VAT returns using MTD compatible software. This will start from their first VAT period starting on or after 1 April 2019.

Businesses with a taxable turnover below the VAT threshold will not have to operate MTD, but can still choose to do so voluntarily.

VAT Notice 700/22: Making Tax Digital for VAT provides information to customers and adds to amendments to the VAT Regulations made earlier this year. The notice also gives guidance on the digital record keeping and return requirements of MTD for VAT including:

- Who needs to follow the MTD rules and from when.
- The digital records businesses must keep, and a series of HMRC directions that relax these requirements in certain circumstances (such as where a mixed rate supply is made, where a third party agent makes or receives supplies on behalf of a business, and where a business uses a special VAT scheme such as a retail scheme or the Flat Rate Scheme).
- How businesses must use software to keep digital records and file their returns from those digital records, including information on when programs do and do not need to be digitally linked in situations where a combination of software programs is used. Given VAT registered businesses and their tax agents already use a wide variety of different systems and programs to produce their VAT returns, the notice includes a number of illustrated examples to show customers how to ensure their specific set up will be compliant with the regulations from April 2019.

HMRC has been working closely with software providers to help them to bring a wide range of MTD products to market, and has published a list on GOV.UK of those that are already at the stage of having demonstrated a prototype product ready to start testing with businesses and/or agents.

HMRC has also produced a communication pack to support our partnership working arrangements with stakeholders who can use the contents to inform their own communications activity and key messages for their clients, customers or members. The pack is intended to provide source material and

information which can be used to support any letters, articles, presentations, social media activity, or web content planned by stakeholders.

Businesses above the VAT threshold are not required to use MTD for their VAT returns until April 2019 but HMRC has already started piloting the changes with small numbers of invited businesses and agents. This will be widened out to allow more to join later this year. In the meantime, businesses can start to prepare now by ensuring they are keeping their records digitally and in accordance with the rules set out in the notice.