

Changes to how you submit your VAT Return

You may have heard in the news that the Making Tax Digital for Business (MTDfB) initiative has undergone considerable revision over the summer, with alterations to the timetable originally proposed. The government had planned to require businesses to keep digital records and update HMRC quarterly for income tax from 2018. [There are now new proposals with particular consequences for VAT registered businesses.](#)

VAT registered businesses enter Making Tax Digital for Business (MTDfB) first

The headline news is that Making Tax Digital for Business (MTDfB) now starts with the VAT regime instead. Businesses whose turnover is above the VAT threshold – currently £85,000 – are going to enter the regime first. This will happen in April 2019, when new rules will apply. The change means that you will no longer be able to log onto the Government Gateway to manually input the details of your VAT return. Instead you will need to use software for your record keeping and that software must prepare and send the VAT return direct to HMRC.

Further change is still possible. Primary legislation is in place to give HMRC powers to require records to be kept digitally and specify the form they are to be kept and preserved in. However, the government is currently running a consultation on the detailed VAT regulations which means there may be changes to some of the detail.

HMRC will be running an initial pilot scheme for MTD for VAT starting later this year, with a wider pilot in 2018. The intention is for the necessary VAT regulations to be in place by at least April 2018, allowing software houses and businesses alike a year to plan for the change.

Going digital: who and when

What the proposals mean in practice is that businesses operating above the VAT threshold will have to use a form of digital record keeping, and have to submit VAT return information to HMRC via Making Tax Digital for Business (MTDfB) compatible software.

The requirements will remain in place even if such businesses subsequently fall below the VAT threshold, ceasing only on deregistration.

Digital record keeping will be mandatory from 1 April 2019, and submission of VAT returns becomes digital for return periods starting on or after 1 April 2019. When Making Tax Digital for Business (MTDfB) was first proposed, the idea had been to align VAT and income tax submissions, but for now at least, there is to be no change to the VAT return or payment dates.

Any business operating below the VAT threshold, which has registered voluntarily for VAT, will also be allowed to use MTD for VAT, but will not yet be mandated to do so.

Making Tax Digital for Business (MTDfB) software

Under the new Making Tax Digital for Business (MTDfB) rules, businesses will have to use 'functional compatible software'. This means a 'software program or set of compatible software programs which can connect to HMRC systems via an Application Programming Interface (API)'. This must be capable of:

- keeping records in digital form as specified by the new rules
- preserving digital records in digital form

- creating a VAT return from the digital records held in compatible software and submitting this data to HMRC digitally
- providing HMRC with VAT data on a voluntary basis
- receiving, via the API platform, information from HMRC to ascertain compliance. It is as yet unclear what this means, but it may relate to HMRC's ability to send compliance prompts and nudges.

Use of spreadsheets

Many businesses currently use spreadsheets as part of their VAT records. There is no reference to spreadsheets in the proposals, and it is likely that business using spreadsheets will need add-on submission software to comply with the Making Tax Digital for Business (MTDfB) requirements.

Discussing software products in a recent webinar on Making Tax Digital for Business (MTDfB), HMRC suggested that spreadsheets could be used for book keeping and record keeping, but that businesses would have to ensure that these met all Making Tax Digital for Business (MTDfB) requirements, including the ability automatically to send digital updates to HMRC. This, HMRC said, 'is likely to involve combining spreadsheets with another software product.'

Helping with the challenges

Whatever the size of your business, there is a time of great change ahead, and we are on hand to help with the challenges. Even though part of the Making Tax Digital for Business (MTDfB) programme has been delayed, the government is still fully committed to its implementation.

VAT registered businesses will be the first to experience change, and because of the short timescale, there could be initial teething problems as HMRC and the software houses produce a workable solution.

Although we are still waiting for more detail from HMRC and the software houses, there are issues that VAT registered businesses would do well to consider now. One key area is whether business transactions are currently recorded digitally. If they are not, consideration should be given to recording some/all transactions on a digital basis.

We would be happy to help you with any issues arising from Making Tax Digital for Business (MTDfB). We would also be able to undertake bookkeeping services for you to enable you to comply with the requirements. As further details about Making Tax Digital for Business (MTDfB) emerge from HMRC, we will of course continue to keep you up to date.

In summary the change means that you will no longer be able to log onto the Government Gateway to manually input the details of your VAT return. Instead you will need to use software for your record keeping and that software must prepare and send the VAT return direct to HMRC. We can help in recommending software, training you to use the software or we can carry out the book keeping and submission of the VAT return for you. It is not too soon to address this, please email enquiries@winn.co.uk or call 01723 364341 to discuss this further.