

Making Tax Digital for VAT

Frequently Asked Questions

Farmplan have been running a series of seminars and webinars on MTD over the last few months and we have collated the questions that we have been asked in this handy FAQ guide. For more detailed information, please refer to HMRC -

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

Signing up for Making Tax Digital with HMRC

What is Making Tax Digital for VAT?

MTD is a government initiative to digitalise the UK tax system. It will take place in phases, starting with the electronic submission of VAT through compatible software from April 2019.

A number of useful videos have been produced by HMRC which can be found on their help and support page.

<https://www.gov.uk/guidance/help-and-support-for-making-tax-digital>

Who will it affect?

Most businesses and landlords with taxable turnovers in excess of the VAT threshold (currently £85,000) will have to keep digital records and submit VAT returns digitally from the first complete VAT return period starting on or after **1st April 2019**. There are a small number of entities which have a deferred entry date of 1st October 2019 but you will have been contacted if this applies to you.

Can I sign up for MTD if I am VAT registered but under the threshold?

You can use MTD voluntarily if you are under the threshold. The old method will still be available to you but once you have registered for MTD you must use the new process.

What happens if I hit the VAT threshold of taxable turnover of £85000?

Your taxable turnover is based on a 12-month rolling figure. Once it reaches £85000 you must register for MTD. If your turnover subsequently falls below this threshold you will remain in MTD.

How do I calculate my taxable turnover? Is my BPS or ELS grant included?

Taxable turnover includes standard rate, reduced rate and zero rated supplies.

Exempt supplies and outside the scope transactions are excluded from taxable turnover.

BPS and ELS grants are both outside the scope so not included.

What does Digital Record Keeping mean? Does keeping digital records mean that I have to store electronic copies of any invoices and statements?

You are already keeping your records digitally if you use one of our accounts' packages. It is not necessary to store any invoices digitally. Keeping digital records means using a software package or spreadsheet with bridging software rather than keeping accounts records manually on paper.

If I have a farm shop do I need to digitally link my till to my farm accounts software?

Businesses operating a Retail Scheme will be able to record gross **daily** takings and enter these figures into their accounting software manually. If you are unsure as to whether this applies to you please talk to your accountant.

I have heard that there will be a 'soft landing' approach to MTD for the first year?

MTD is mandatory for every business that qualifies from the dates below. For the time being default surcharges will be applied for late submissions in the same way as at present.

When do I start to use MTD?

You can continue to use the existing process before April 2019, however you may wish to register to use the MTD process straight away through HMRC's pilot scheme.

The majority of VAT registered businesses must use the new MTD submission process for the first complete VAT period starting on or after 1 April 2019.

For example:

VAT Period	MTD mandatory and digital records must be kept from	MTD submission due by
1 April 2019 - 30 April 2019	1 April 2019	7 June 2019
1 April 2019 - 30 June 2019	1 April 2019	7 August 2019
1 May 2019 – 31 July 2019	1 May 2019	7 September 2019
1 June 2019 – 31 August 2019	1 June 2019	7 October 2019

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

Note

- Only businesses with taxable turnover over the VAT threshold are mandated.
- For list of deferred business types, see GOV.UK – all have been notified by HMRC.

How do I know if my business has been deferred?

Businesses that fall into one of the following categories have been deferred until October 2019 but HMRC will have contacted you directly if you have been deferred.

- trusts
- 'not for profit' organisations that are not companies (this includes some charities)
- VAT divisions
- VAT groups (the deferral applies to the group registration only and not to any group companies that are not covered by the group registration)
- public sector entities that are required to provide additional information alongside their VAT return (such as Government departments and NHS Trusts)
- local authorities and public corporations
- traders based overseas
- those required to make payments on account
- annual accounting scheme users

If I have been deferred can I sign up now anyway?

Many of these businesses can still sign up now if they want. If you want to proceed now have a go at signing up. You will be notified if your sign up request has been successful or unsuccessful.

My business is not deferred. Can I join the pilot pre April 2019?

All other businesses can join MTD from now onwards. Initially there were some restrictions on certain business types but these have now been lifted.

Some businesses are exempt from MTD – how do I know if I am one of them?

Unless you are under the VAT threshold of £85,000 of taxable income and your business type is not deferred then it is unlikely you are exempt. There is an exemption in the regulations which covers those who are unable to file digitally due to age, disability, location or lack of IT skills. However, existing exemptions for online filing are being carried over, so if you are not exempt from online filing now you will not be likely to claim exemption from MTD.

Current exemptions will be automatically carried across to be applied to MTD for VAT.

Please contact HMRC for more details.

Once I have signed up for MTD can I carry on using the old method until I am ready to start?

Once you have signed up for MTD you must use the new process. You cannot revert to the old method.

How do I sign up for MTD?

The link is currently <https://www.gov.uk/guidance/use-software-to-submit-your-vat-returns>

Alternatively, go to www.gov.uk and search for **Use software to submit your VAT Returns**.

HMRC have also produced a video that will lead you through the process:

[How to sign up for Making Tax Digital for VAT?](#)

Follow the instructions on the screen. The exact process will depend on your business type but you will need to enter your Government Gateway ID and password, after which you will be led through a series of questions to verify your application. Wait for a confirmation email from HMRC to say that you are ready to go – this may take up to 72 hours.

I am not sure of some of the answers that I am asked during the sign up procedure – for example, which post code do they have my business registered to?

Log into your VAT account through the Government Gateway

<https://www.gov.uk/government/publications/making-tax-digital-for-vat-service-availability-and-issues/making-tax-digital-for-vat-service-availability-and-issues> and check your contact details in there. If this does not resolve it then you will need to contact HRMC directly <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/vat-online-services-helpdesk>

Their help line can be contacted on **0300 200 3701**.

If I have signed up for the pilot, will I need to sign up again when MTD for VAT goes live in April 2019?

Once you have signed up and been accepted you are committed to MTD for the next 18 months and you will not have to do anything else.

Will I be automatically signed up for MTD after 1 April 2019?

You (and your clients, if you are an agent) will not be automatically migrated to MTD. You will need to go through the sign up procedure even when you pass the date where it becomes mandatory for your business to submit your VAT figures under MTD.

How long does this authority last?

Your registration for MTD for VAT lasts for 18 months. It will need to be renewed in 18 months' time.

I am Agent and submit VAT figures on behalf of my clients. How do I register?

You will need to apply for an Agent Services Account (ASA) if you do not have one already.

The following video will guide you through the ASA sign up process:

[Creating an Agent Services Account](#)

You will be given the opportunity to link your existing clients to your ASA. Each client must also be signed up for MTD. When you connect to HMRC through the program, input your ASA ID and password.

Go to <https://www.gov.uk/guidance/making-tax-digital-for-vat-as-an-agent-step-by-step> for more details.

Making VAT Submissions

Do I need to use a 'cloud based' accounts program to submit my VAT figures via MTD?

PC based accounts programs like Business Manager are fine as long as they have had the new functionality added and are recognised by HMRC. You will need access to the internet for the actual submission.

How can I check that my sign up has been successful if I have not had the email?

Sign into your VAT account through the Government Gateway:

<https://www.gov.uk/government/publications/making-tax-digital-for-vat-service-availability-and-issues/making-tax-digital-for-vat-service-availability-and-issues>

What exactly is sent to HMRC? Does the submission include transaction details?

The only figures that are sent to HMRC are the nine boxes from the VAT return. None of the transactions that went to make up these figures are included.

In addition, a few security details are included to ensure that your personal data is not compromised. These help identify the machine that has initiated the request and include details such as the IP address, time zone, operating system etc. These details cannot be seen by, and are not stored by Farmplan. Similar information has always been collected when you entered your VAT details using the previous HMRC VAT portal.

I make adjustments to the VAT figures at the end of the period – for example fuel scale charges or Partial Exemption adjustments. How do I incorporate them?

Carry on exactly the same as before. If necessary the adjustments can be calculated away from Business Manager, for example using a spreadsheet, but, as before, they must be entered into Business Manager so that they are incorporated into the VAT figures that are being submitted. This is normally done in the form of a VAT journal.

What happens if I realise that I have made a mistake or forgotten to enter something after I have submitted the figures?

Once you have agreed the legal declaration after clicking on the 'Send' button, your figures for this period are committed. HMRC does not allow corrections to be made. Any corrections should be made in the following period and they will be incorporated on the

next return. If you enter a transaction date in a closed VAT period, the program will warn you that the figures will be included in the next submission.

I have always done my VAT monthly/quarterly. Do I have to change how often I submit my VAT figures?

The frequency of your VAT submissions remains exactly as they were before and the due date is unchanged.

What is the latest date I can submit my figures?

They are due one month and seven days after the end of the period. For example, if your VAT period ends on 30th April, then the VAT figures must be submitted and any payment cleared by the 7th June, regardless of whether your VAT period is monthly or quarterly. A warning will appear on the Home Page when you are within a week of the due date and will go red if you pass the due date.

How can I check if HMRC's service is unavailable?

If you are experiencing any problems signing up for MTD or making a submission and you suspect that there is an issue with the service go to

<https://www.gov.uk/government/publications/making-tax-digital-for-vat-service-availability-and-issues/making-tax-digital-for-vat-service-availability-and-issues>

Combining figures before submitting to HMRC

I need to combine the VAT figures from another business(es) before I make the submission but they are not produced using Business Manager

If any of the other businesses are on another accounts package or spreadsheet but share the same VAT registration number, then the figures will need to be imported from a compatible csv file. We can supply you with a VAT return convertor that can be used to update the figures automatically from an exported version of the VAT return into Business Manager. In effect, this is what HMRC refer to as 'Bridging Software'.

This VAT return convertor has already been produced for several of the main accounts packages but, if necessary, we can create one for the particular application that you use if we have not come across it before. This method has been approved by HMRC as a direct digital link, so please contact us for more details.

I have two different businesses – do I have to combine them before submitting?

If they have their own unique VAT registration numbers then they must be submitted independently.

Will combining the figures from another source affect the data held in the main business?

The only information included in the combined total will be the nine boxes of the VAT return. The VAT return will show all of the figures but no other area will be affected.

Can I change which business does the combined submission?

We would not recommend this. It would be better to use the same business each time to retain the HMRC link and the VAT submission history.

Making Tax Digital – Self Assessment for Income Tax

MTD for VAT is the first stage of a longer term view by HMRC to make all tax records digital and available to them. This will be extended to include all income and expenditure details for income tax purposes. Initially, this was intended to be launched in 2020 but development is currently on hold while HMRC prepare for Brexit.

A number of the questions that we had at the webinars related to this second stage so are not relevant yet.

Potentially, there will be four submissions a year with income and expenditure details followed by a fifth at the year-end with the accountant's adjustments. However, the full details are not yet known of exactly how this will be implemented.