



HMRC Making Tax Digital VAT – The Key Facts

Making Tax Digital or in short MTD, is coming into force for VAT in April 2019 as a part of the government's wider plan to embrace the benefits of the 'Digital Age'. MTD is designed to make the administration of the tax system more effective and efficient, by reducing avoidable mistakes in tax returns.

As a useful guidance for businesses that are above the VAT threshold, HMRC has published the VAT Notice 700/22 on the 13 July 2018.

The full notice details can be found on the following [link](#).

The Key Facts You Need To Know

- **MTD VAT Rules** – Applicable from your first VAT period starting on or after 1 April 2019.
- **Accounting Software** – In order to submit your VAT return post April 2019 the software must have the capability of communicating directly to HMRC's interfacing platform (Application Programming Interface, or in short API). The manual box entry on the current form will no longer be available as transferring data manually will not be acceptable under MTD.
- **MTD Exemptions** – HMRC will allow exemptions to new rules, in the instance of religious beliefs, impracticality of using digital tools or you are subject to an insolvency procedure. However, you will need to provide satisfactory evidence that you meet any of the aforementioned instances.
- **Digital Record Keeping** – All VAT registered businesses must keep and preserve certain records and accounts. In practical terms, if a hard copy invoice is received and manually typed into the accounting software, the original copy must be kept. Hard copy invoices that are scanned in full and the full image is held on the accounting software, the hard copy invoice does not need to be kept.
- **Digital Links & Excel** – Digital links remove the need for manual intervention as the links serve to exchange data electronically. In the practical application of using Excel spreadsheets to calculate VAT returns, digital links are classified as a formula in one sheet that is directly linked to the source's value in another cell. The cutting and pasting of information within Excel or between any other software programs will not be acceptable under MTD from the 1 April 2020.
- **Transitional Grace Period for Cutting and Pasting Data** – HMRC will accept the cutting and pasting of information as being a digital link for VAT periods commencing between 1 April 2019 and 31 March 2020.

- **Bridging Software** – This is a digital tool that creates the necessary digital links between single/ multiple spreadsheets and accounting software, in order to facilitate the flow of digital information between HMRC and you.
- **API Spreadsheets** – Spreadsheets that are API enabled and are either combined with the accounting software or used to digitally record the VAT information, in order to upload the return directly to HMRC.
- **Designatory Data** – In order to be MTD compliant, you will need to have a digital record of your business name, principal trading place of business, VAT registration number and VAT schemes that you use.

Contact Us

If your business needs support and advice in preparing for MTD, please contact us by email at enquiries@krestonreeves.com or by phone on +44 (0)330 124 1399 to arrange to speak with one of our specialists in London, Kent and Sussex.

To read more on MTD please [click here](#). Do call us for a free initial consultation.

For all your business, tax and wealth needs.

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