

Making Tax Digital Q&A's

Q. When will Making Tax Digital (MTD) come into effect?

A. MTD will apply to your VAT Return for the first full VAT period submitted on or after 1 April 2019.

Q. I heard that MTD has been delayed for some businesses, will this apply to me?

A. While we have no indication that MTD will be delayed for everybody, the introduction has recently been delayed by 6 months for certain businesses with more complex VAT accounting needs. These are: trusts, 'not for profit' organisations that are not set up as a company, VAT divisions, VAT groups, public sector entities required to provide additional information on their VAT return (Government departments, NHS Trusts), local authorities, public corporations, traders based overseas, those required to make payments on account and annual accounting scheme users.

These businesses therefore start on MTD (assuming their UK taxable supplies are over £85k) for VAT return periods starting on or after 1 October 2019.

All other businesses caught by MTD should assume it will be going ahead as planned and they therefore need to be ready for their first VAT return period starting on or after 1 April 2019.

Q. I've heard various different things about how to work out whether my business is caught by the new MTD requirements for VAT from April 2019. Can you explain how I determine which businesses are caught?

A. In essence, all businesses with UK taxable supplies in excess of £85k per annum will be caught by MTD. "UK taxable supplies" means all income that has a UK place of supply and is subject to UK VAT

at the zero, reduced or standard-rate of UK VAT. It also includes "deemed" supplies, for example where a UK business receives services from overseas that would have VAT on if bought from a UK supplier (commonly referred to as reverse charge services).

Q. My Taxable supplies have dropped below £85k but I have voluntarily remained VAT registered, will MTD apply to me?

A. No, if a business was compulsorily registerable in the past, but is now below the threshold and has chosen to stay VAT registered, it will not be caught by MTD unless / until its UK taxable turnover exceeds £85k on or after the MTD go-live date.

You can continue to submit your VAT Return through the current gateway.

Q. If I register for MTD but then my UK taxable supplies drop below £85k after April 2019 will I be removed from MTD?

A. No, once a business is caught by MTD it cannot leave even if it subsequently drops below the £85k. However you could, of course, deregister from VAT and so there would be no need to do VAT returns at all.

Q. Will HMRC tell me that I need to move to MTD?

A. No. It is up to businesses and their agents to recognise whether you are caught by MTD and to take the necessary steps to register (via .gov.uk website) for the new MTD portal. HMRC plan to send a letter to businesses that appear to be affected (for example those with a Box 6 figure exceeding £85k p.a.) but will not follow this up.

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A. What happens if I don't comply with the new requirements?

A. There will be penalties for non-compliant businesses that are likely to be behaviour based, but the mechanics and timings of the penalty regime have not yet been publicised.

Q. I use paper records at the moment and am useless with IT. Can I request exemption on the grounds of my age and lack of IT awareness?

A. Businesses that have already been granted exemption from online filing under the current rules (e.g. on grounds of religion, age, disability or internet access issues) are expected to be granted exemption from MTD requirements as well. Other businesses can request exemption from the MTD requirements on the same grounds and each request will be considered by HMRC on a case by case basis; HMRC currently expects this number to be very small and expect to publish more detailed guidance on this in future.

Q. By submitting my VAT return data through the new portal under MTD, will HMRC be able to see into my records?

A. No. The portal is configured to enable a one-way flow of data / access only. It will be used for the 9 VAT return box figures (plus any additional information the business may send) to be submitted to HMRC and that is all. HMRC will not be able to use this link to delve into the business records / systems.

Q. What if I make an error in the figures submitted to HMRC?

A. The normal rules apply to any errors made on a VAT return submission as per HMRC Notice 700/45.

Q. What if I have a software issue and can't submit the data on time?

A. As with the current rules, if you have any issues submitting your VAT return data, call the HMRC helpline as soon as possible, and by the return due date at the latest otherwise you will be issued a surcharge liability notice and may suffer late payment penalties.

Q. Do I need to supply all my VAT records to HMRC?

A. No. There are 2 parts to MTD for VAT:

- 1) keeping records digitally and
- 2) submission of VAT returns digitally.

Under 2) the only information that will need to be sent to HMRC each VAT return period is the 9 VAT return box figures, i.e. the same information as is currently required.

If and when HMRC requests additional information for compliance checking purposes however, they will of course expect certain information (as required under 1) to be available in digital format.

This fact sheet was prepared by **Markel Tax** on behalf of Markel Law. It is intended only as a guide and is not to be regarded as a substitute for a consultation with a tax advisor, since every case will ultimately turn on its own particular facts and circumstances. For more information on tax services available through the FSB, please call them on **0345 0727 727**.