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Registering for Making Tax Digital for VAT



Financial Report

37	500	2923	2798	17565	50882	2781
38	504	2996	3224	17178	50590	3171
39	503	2989	4852	17676	51493	3288
40	501	2994	2971	17633	50820	489
41	500	2993	1452	15625	50198	984
42	498	2945	1489	14860	51524	232
43	493	2925	2855	14039	50294	389
44	489	2929	1129	13390	50182	529
45	484	2951	3509	12749	51452	147
46	481	2899	2024	12443	50500	249
47	482	1789	2511	12968	48829	108
48	481		3294	12900		29

The Profit Review

52	1923	1938	1791	9482	191	1293
53	1986	2026	1714	9240	171	1293
54	1989	4322	1979	9191	438	1912
55	2019	2971	1540	8800	433	2027
56	2002	1432	1581	8978	991	2042
57	1945	1889	1480	8708	272	2078
58	1936	5098	1670	8579	192	2124
59	1829	7128	1520	8402	328	2078
60	1811	1869	1245	8248	147	2196
61	1888	2962	1145	8119	311	1922
62	1895	2042	1088	8170	505	1994
63	1384	8882	1894	8133	129	1900
64	1414	1192	1828	8089	1079	1891

Difference

52	1923	1938	1791	9482	191	1293
53	1986	2026	1714	9240	171	1293
54	1989	4322	1979	9191	438	1912



The moment has come: if your business has a taxable turnover above the VAT-registration threshold, which is currently £85,000, you're now obliged to keep records in digital form and to file your VAT returns using HMRC-approved software.

You probably got a bit fed up of being reminded about the deadline for the first wave of the Government's Making Tax Digital (MTD) scheme in the course of the past year or so, and who could blame you?

Adverts from Revenue were appearing all over our favourite websites and social media, alongside agenda-laden reminders from software providers, banks, and anyone else with a stake in this project. MTD even started to pop up in commercial breaks during prime time TV, and on colossal posters on the London Underground. There was simply no escaping it.

All that nagging was for a good reason, though: the deadline was real, the rules are complicated, and there are serious penalties for getting it wrong.

Even if you thought you were all sorted for 1 April 2019, the Government had a way of keeping everyone on edge by sneaking out updates to the single most important document in the world of MTD – VAT Notice 700/22.

You might not be familiar with 700/22 but for us as your accountants, it's the definitive plain English record of exactly what needs to be done, by whom, by when.

Even so, for most of us to make any sense of it requires further interpretation, and the fact that it has been updated multiple times only adds to the befuddlement.

Chopping and changing

VAT Notice 700/22 was first published in July 2018 – rather late in the day, you might argue, with less than a year until the deadline.

That left accountants and experts scrambling to dissect it, and to translate its contents into even plainer English for the benefit of their clients and readers.

Many people skipped straight to the section on exemptions: if there was a way to get out of this obligation, they wanted to know about it.

The main exemption, for businesses with turnovers below £85,000, was already well known, but there was also confirmation of exemptions on the grounds of insolvency, religion, and the impracticality of using digital tools because of 'age, disability, remoteness of location or for any other reason'.

Though this first version was fairly clear and comprehensive, and certainly more so than any prior guidance, it did prompt questions.

For example, the guidance suggested that any business whose taxable turnover had ever gone above the VAT-registration threshold would be required to comply with MTD for VAT from 1 April 2019.

This was a mistake: in fact, only turnover for the 12 months ending immediately before the date of the turnover test (so, from 1 April 2018 to 31 March 2019) have to be taken into consideration.

This was corrected in an update in January 2019, with that line being completely removed by HMRC.

Another question was over how much room for manoeuvre was embedded in the clause on exemptions for age, disability and remoteness of location.

To answer that, on 28 February 2019 – with a little over a month to go – a revised version of the document was quietly released offering further clarification:

"You'll be exempt if it's not practical for you to keep records digitally because... of your location – for example, if you cannot get internet access at your home or business premises and it's not reasonable for you to get internet access at another location... [or because] of a disability – for example, if you cannot use a computer, tablet or smartphone for the frequency amount of time it takes to keep digital records for your business".

Crucially, it headed off the risk of people exempting themselves on the grounds that they simply felt they were too old to have to bother:

"You might not be exempt if you... believe you should be exempt purely because of your age – HMRC will consider how your age and circumstances impact your ability to follow the rules for Making Tax Digital."

In other words, the Government won't declare an absolute cut-off for automatic exemption, and intends to judge each case on its own merits.

It also countered a suggestion circulating in discussions around MTD that people might mischievously declare themselves part of a religion forbidden to use computers in order to dodge the obligation.



This update specified that those who make such claims, despite having used computers and smartphones at work prior to this point, or are currently using them in their personal lives, would probably not be exempt.

Software soft landing

One concession made by HMRC is around the links between individual pieces of software within your business.

It is a legal requirement under MTD that the programmes you use for recording and processing financial information connect with each other fully, and purely digitally.

In other words, you shouldn't be manually copying information across from one to another, or even cutting and pasting between programmes.

The link either needs to be automatic, or work through some sort of 'import data' function, removing (or at least reducing) the potential for human error, or fraud.

In practice, though, the Government has decided to permit a year's grace, up until 31 March 2020 for most users.

This will allow businesses to keep cutting and pasting while they work out how to integrate their various software packages, or give them time to source and roll out new ones.

What you need to do right now

If you handle your own VAT returns, there are a few things you need to straightaway, if you haven't already – and we really hope you have, because there are penalties for failing to comply.

First, make sure you have MTD-compatible software. A list of approved packages is available on the HMRC website, including some that are free.

In many cases, you will also be able to use your existing software, including spreadsheets, as long as it is capable of communicating directly with HMRC's systems, or works with 'bridging software' that can perform that function.

You then need to make sure the MTD capabilities of your software are enabled, before delegating authority to the software via your Government Gateway account.

Then, you need to register for MTD, also via the Gateway.

Be aware, though: once you've signed up to manage your VAT returns via the Making Tax Digital process, you can't go back.

The easy way

If we're already handling your accounts, that makes the registration process considerably easier.

We'll already have the appropriate access to your HMRC account and simply need to 'link existing clients'.

If you're not a client but would like advice on ensuring compliance with MTD, or help with your VAT returns, get in touch now.



Financial Report

Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
100	100	100	100	400	100	100	100	100	400
110	110	110	110	440	110	110	110	110	440
120	120	120	120	480	120	120	120	120	480
130	130	130	130	520	130	130	130	130	520
140	140	140	140	560	140	140	140	140	560
150	150	150	150	600	150	150	150	150	600
160	160	160	160	640	160	160	160	160	640
170	170	170	170	680	170	170	170	170	680
180	180	180	180	720	180	180	180	180	720
190	190	190	190	760	190	190	190	190	760
200	200	200	200	800	200	200	200	200	800
210	210	210	210	840	210	210	210	210	840
220	220	220	220	880	220	220	220	220	880
230	230	230	230	920	230	230	230	230	920
240	240	240	240	960	240	240	240	240	960
250	250	250	250	1000	250	250	250	250	1000
260	260	260	260	1040	260	260	260	260	1040
270	270	270	270	1080	270	270	270	270	1080
280	280	280	280	1120	280	280	280	280	1120
290	290	290	290	1160	290	290	290	290	1160
300	300	300	300	1200	300	300	300	300	1200

The Profit Review

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110	110	110	110	440	110	110	110	110	440
120	120	120	120	480	120	120	120	120	480
130	130	130	130	520	130	130	130	130	520
140	140	140	140	560	140	140	140	140	560
150	150	150	150	600	150	150	150	150	600
160	160	160	160	640	160	160	160	160	640
170	170	170	170	680	170	170	170	170	680
180	180	180	180	720	180	180	180	180	720
190	190	190	190	760	190	190	190	190	760
200	200	200	200	800	200	200	200	200	800
210	210	210	210	840	210	210	210	210	840
220	220	220	220	880	220	220	220	220	880
230	230	230	230	920	230	230	230	230	920
240	240	240	240	960	240	240	240	240	960
250	250	250	250	1000	250	250	250	250	1000
260	260	260	260	1040	260	260	260	260	1040
270	270	270	270	1080	270	270	270	270	1080
280	280	280	280	1120	280	280	280	280	1120
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300	300	300	300	1200	300	300	300	300	1200

Difference

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130	130	130	130	520	130	130	130	130	520
140	140	140	140	560	140	140	140	140	560
150	150	150	150	600	150	150	150	150	600
160	160	160	160	640	160	160	160	160	640
170	170	170	170	680	170	170	170	170	680
180	180	180	180	720	180	180	180	180	720
190	190	190	190	760	190	190	190	190	760
200	200	200	200	800	200	200	200	200	800
210	210	210	210	840	210	210	210	210	840
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230	230	230	230	920	230	230	230	230	920
240	240	240	240	960	240	240	240	240	960
250	250	250	250	1000	250	250	250	250	1000
260	260	260	260	1040	260	260	260	260	1040
270	270	270	270	1080	270	270	270	270	1080
280	280	280	280	1120	280	280	280	280	1120
290	290	290	290	1160	290	290	290	290	1160
300	300	300	300	1200	300	300	300	300	1200

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