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Making Tax Digital & VAT

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Does your accounting system comply with MTD for VAT

Making Tax Digital (MTD) for VAT is scheduled to start in April 2019. This means that your VAT information will need to be submitted to HMRC digitally.

On 18 December 2017, HMRC published draft legislation together with examples of how the business account records might link with the HMRC computer in order to comply with MTD for VAT. The legislation specifies that "functional compatible software" must be used to record and preserve prescribed VAT related data.

What are Digital records?

"Functional compatible software" must be used to calculate the VAT due, report the VAT figures (as per the current VAT return) to HMRC, and to receive information back from HMRC.

VAT related data for each sale and purchase made by the business includes the time of the supply, the value and the rate of VAT charged, or in the case of purchases, the amount of input VAT allowed.

There is no requirement in the draft regulations that the electronic recording of this data must be done at the time the supply is made, or when the purchase is received. As long as the data is recorded electronically by the earlier of the date that the VAT return must be submitted, or is actually submitted.

Digital Links in the Trail

The business can use more than one piece of software to keep its digital records, but those separate software programmes must be "digitally linked". HMRC provides examples of what it means by digitally linked in the draft notice.

One example is a business which uses one piece of accounting software to record all sales and purchases, this software then calculates the return and submits it to HMRC. As well as the records in the accounting software the business uses a spreadsheet to keep track of a fleet of cars and work out its road fuel scale charges. The draft guidance suggests that the business can type the adjustment into its accounting software.

We can of course work with you to make sure that your accounting systems will comply with the new VAT rules before they start in 2019. Please note that MTD for VAT will not be mandatory where turnover is below the VAT registration limit, currently £85,000 per annum.



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