

MAKING TAX DIGITAL for VAT 2019



Compulsory changes are on the way with how HMRC will receive your VAT submissions.

Despite several setbacks and the anticipated disruption to businesses, Making Tax Digital for VAT (MTDfV) will be implemented from 1 April 2019, with plans in place to roll the scheme out to all taxes shortly afterwards.

Under new legislation issued in July 2017, all businesses registered for VAT with taxable income above the VAT threshold are required to maintain digital records, complete the VAT return from those digital records and send it electronically to HMRC.

Which entities are affected?

MTDfV is compulsory for VAT-registered entities above the current VAT threshold of £85,000 (frozen at this level until April 2020).

From VAT return periods on or after 1 April 2019, entities will need to comply with digital recordkeeping and reporting requirements of MTDfV.

VAT-registered entities whose turnover is below the VAT registration threshold will be able to choose whether to join MTDfV at that stage.

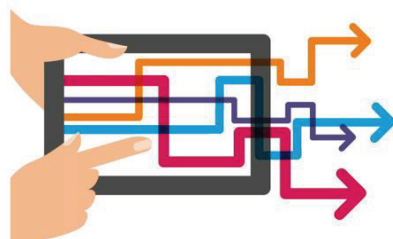
Once within the scheme, an entity must remain in it while they continue to be VAT-registered, even if their turnover falls below the VAT-registration threshold in the future.

When does it apply?	
VAT return quarters	MTDfV start date
Ending 31 March, 30 June, 30 September, 31 December	1 April 2019
Ending 30 April, 31 July, 31 October, 31 January	1 May 2019
Ending 31 May, 31 August, 30 November, 28 February	1 June 2019

HMRC say that MTD will create a digital link between accountancy records and the submission they receive. They estimate that submission errors cost around **£9bn** each year and the new scheme will help to close this 'tax gap'.



**MAKING
TAX DIGITAL**



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What's involved?

HMRC require that digital records are kept and maintained within functional, compatible software and such records must be preserved for 6 years. This will form a digital link between your transactions and HMRC.

Stage one of this regime is for VAT, but HMRC are intending to roll it out across all other taxes within the coming years. The intention is to create a more modern, digital service, so it is important to consider this when reviewing your current method of recordkeeping.

Under the new regime, manual records will not be a compliant method of recordkeeping, so the options are to move to a compatible software package or consider outsourcing your bookkeeping function. The current legislation initially allows for records to be kept within spreadsheets, using 'bridging software' to form the digital link between your records and HMRC. However, the current guidelines state this will be for a limited period only, before software becomes mandatory (we anticipate around 12 months).

Software options	
Desktop based	Cloud based
Whilst there are several desktop software providers, it is vital to consider whether your current provider is MTD compatible. If not, ask them if there is an opportunity to upgrade and retain your current method of bookkeeping. For example, Sage 50 is only MTD compatible when using version 24 or later. If there isn't an upgrade available, there may be the option to use bridging software, but this will only be a temporary option as HMRC continue to push for a full digital link.	Most cloud-based software providers are fully compliant with MTD and the benefits of working in this way include accessibility, efficiency, 'add on' apps to scan invoices/receipts, and links to your bank feed. Cloud-based software is also our preferred method of recordkeeping, as it can provide us with instant access to your records, helping us answer your questions, enabling us to process your accounts efficiently and keep your records up to date and MTD compliant.

At SFB, we are partnered with various software providers as well as having access to bridging software. That means, we are best-placed to help you make this transition with as little disruption as possible. If moving from spreadsheets to a digital platform doesn't feel like an easy option to you, please talk to us.

We are committed to helping **YOU** make **YOUR** tax digital.

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How to be compliant

Desktop software

→ **Compliant** ✓
→ **Non-compliant** ?

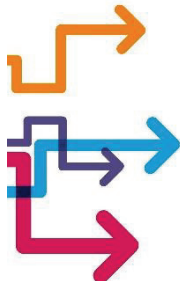
Options: Upgrade to cloud-based
Outsource
Bridging software



Cloud based

→ **Compliant** ✓
→ **Non-compliant** ?

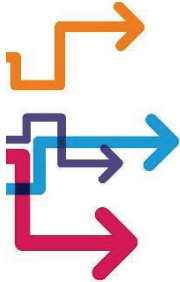
Options: Upgrade
Outsource
Bridging software



Spreadsheets

→ **Non-compliant** ✗

Options: Outsource
Bridging software
Other software;
Cloud-based or desktop



Other manual records

→ **Non-compliant** ✗

Options: Outsource
Spreadsheets; bridging software
Other software;
Cloud-based or desktop

