



Making Tax Digital deadline approaching fast

The April 2019 deadline for most VAT-registered businesses to submit VAT returns is approaching. HMRC has provided important information about: the VAT pilot, which now includes property income; details of record-keeping requirements for taxpayers; and an updated list of software suppliers.

The pilot schemes

HMRC is currently piloting MTD for VAT and, looking further ahead, for income tax:

VAT (deadline 2019)

Taxpayer participation in the pilot project is voluntary and by invitation only. Once HMRC is satisfied that things are working as expected, it will allow businesses to join the pilot without an invite. The plan is to gradually increase the numbers and complexity of the participating businesses.

Income tax (deadline 2020)

The pilot scheme is initially just open to sole traders with only one business, although this has recently been extended to landlords with simple tax affairs (excluding furnished holiday lettings). Other groups of taxpayers will be brought in as new functionality is added. However, if you are thinking of joining, be warned there are only a few software products currently available.

Digital record-keeping

HMRC's detailed new digital record-keeping requirements were recently published. These include:

- Taxpayers will have to retain some original copies of their records, such as C79 import VAT certificates – even if they store them digitally.

- Data transfer between MTD VAT software or applications must use 'digital links'. This means any exchange of data must be made electronically, for example via application programme interface (API) transfers or complete spreadsheets.
- There will be a 'soft landing period' for setting up digital links. These requirements will be relaxed and so, for example, cutting and pasting data will be allowed during VAT periods starting between 1 April 2019 and 31 March 2020.
- Some manual adjustment calculations may still be required. For instance, if you are using the flat rate or the capital goods schemes, or if partial exemption applies.

Businesses that use spreadsheets to maintain their VAT records can continue doing so under MTD. The software must be able to record and preserve digital records, and provide HMRC with information and returns using data from those records via HMRC's API. If spreadsheet software can't do this, you must use 'bridging software' which will provide the link to HMRC.

Software suppliers

With the approaching VAT deadline, software suppliers have been concentrating their efforts on MTD for VAT. Around 150 suppliers are expected to have products ready for April 2019.

You will be required to use MTD if your business is VAT-registered on 1 April 2019 and the taxable turnover is above the VAT threshold of £85,000. You will not have to use MTD if you have voluntarily registered for VAT with turnover below the threshold.

If your business is preparing for the April deadline, we would recommend seeking advice from your accountant.

Published in the Wigan Observer – 8th January 2019