Making Tax Digital

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Agenda

- Introductions and housekeeping

- Brief recap / key messages

- MTD – VAT
  - Scope / timescales
  - Digital Records
  - VAT return 'journey'
  - Software / Agent Services Account

- MTD – Income tax / Corporation tax etc

Housekeeping points

- Submit questions as we go along

- Webinar will be available at this same link for 12 months

- Keep an eye on our websites
  - https://www.tax.org.uk/policy-and-technical/making-tax-digital
  - https://www.att.org.uk/making-tax-digital

- Follow up queries / questions to technical@ciot.org.uk or atttechnical@att.org.uk

BRIEF RECAP / KEY MESSAGES

June 2018, to now

June 2018	Now
Draft VAT Notice	VAT Notice published
Little / no actual MTD-compatible software	Rapidly increasing numbers of MTD-compatible software
Little / no HMRC communications	HMRC communications ramping up
Mandation from 1 April 2019	Mandation from 1 April 2019*

* Unless one of the few businesses deferred

Useful links / references…

- [VAT Notice 700/22: Making Tax Digital for VAT](#)

- [www.gov.uk/government/collections/making-tax-digital-for-vat](#)

- [www.tax.org.uk/policy-and-technical/making-tax-digital](#)

- [www.att.org.uk/making-tax-digital](#)

- [HMRC Talking Points sessions](#)

Key messages

- MTD is happening!

- HMRC is contacting your clients – are you?

- Set up an Agent Services Account

- Plan how you will transition and maintain your clients

- Different clients will have different challenges

- Look out for further guidance

MTD - VAT

Scope

- <u>All</u> businesses with <u>UK taxable turnover</u> >VAT threshold, unless…

- General exemption
  - Voluntary VAT registrations

- Specific exemptions
  - Religious beliefs
  - Insolvency procedure
  - Not reasonably practicable … for reasons of disability, age, remoteness of location or any other reason

- Can choose not to be exempt!

Claiming exemption

- Contact VAT Helpline
  - Explain grounds on which requesting exemption
  - HMRC discuss and explore alternatives
  - Decided on case-by-case basis
  - May need to re-apply periodically depending on grounds
- Refusal of exemption is an appealable matter
- Existing exemptions from online filing carry forward into MTD
- Working with HMRC for more clarity

1 April 2019

- Existing VAT registrations
  - First return period commencing on / after 1 April 2019
- New VAT registrations after 1 April 2019
  - From day one if compulsorily VAT registered
- Voluntarily registered, but turnover grows
  - From start of next VAT return period once VAT threshold is exceeded
- *Have to enrol into MTD – it doesn't just happen*
  - *Once you're in, you're in!*

1 October 2019 – deferred businesses

- Trusts,

- 'Not for profit' organisations that are not set up as a company

- VAT divisions and VAT groups

- Government departments, local authorities, public corporations

- Traders based overseas

- Those required to make payments on account

- Annual accounting scheme users

- Sole traders and companies <u>except</u>
  - Trust or charity
  - Are part of a VAT group or VAT Division
  - Trade (or previously traded) with the EU
  - Are based overseas
  - Submit annual returns
  - Make VAT payments on account
  - Use the VAT Flat Rate Scheme
  - New VAT registrations
  - Have incurred a default surcharge in the last 24 months*

Timescales – pilot phase two

- Late 2018
  - <u>Private</u> testing with partnerships, those who trade with EU, and FRS users

- Late 2018 / early 2019
  - Pilot opens to sole traders and companies not up to date with their VAT, FRS businesses, and new VAT registrations

- Early 2019
  - Pilot open to partnerships and those who trade with the EU

Timescales – pilot phase three?

- Spring 2019
  - Pilot opens for deferred businesses

Requirements

1. Keep digital records [1 April 2019*]

   – A requirement to keep records in a particular manner, and capture particular elements of information

2. Digitally link software [1 April 2020]

   – Where VAT return information passes from one piece of software to another

3. File VAT returns via API-enabled software [1 April 2019*]

   – Not by typing figures into HMRC portal

* Unless one of the few businesses deferred

1. Digital record keeping

- Content of digital records
  - Permanent data
  - Transaction data
  - VAT account

Permanent data

- Permanent data:

    (a) the name of the taxable person;

    (b) the address of the taxable person's principal place of business;

    (c) the taxable person's VAT registration number; and

    (d) any VAT accounting schemes used by the taxable person.

VAT account

- Existing VAT account information
- Where adjustment or correction is necessary, **the total amount** adjusted or corrected
- The **proportions** of the total of the VAT exclusive value of all outputs for the period

Transaction data – supplies <u>made</u>

- For each <u>supply</u> made, must record
  - Time of supply (tax point)
  - Value of the supply (net value excluding VAT)
  - Rate of VAT charged;
- Relaxations, including
  - More than one supply on an invoice
  - Retailers / cash businesses
  - Others, including where *impossible, impractical or unduly onerous*

Example 1 – supplies made, single rate

ABC Widgets

VAT No 123 4567 89

INVOICE

To: My customer

Invoice Date:	09/10/2018
Invoice Number:	1
Client Reference:	
Purchase Order:	

DUE DATE: 08/11/2018

Description	Qty	Unit	Unit Price	VAT %	VAT	Total
Widget 1	1	1	£ 100.00	20%	£ 20.00	£ 120.00
Widget 2	1	2	£ 50.00	20%	£ 10.00	£ 60.00
Widget 3	1	3	£ 200.00	20%	£ 40.00	£ 240.00

Sub Total	£	350.00
Total VAT	£	70.00

Total amount due £ 420.00

Example 2 – supplies made, mixed rates

ABC Builders

VAT No 987 6543 21

INVOICE

To: My customer

Invoice Date: 09/10/2018
Invoice Number: 2
Client Reference:
Purchase Order:

DUE DATE: 08/11/2018

Description	Qty	Unit	Unit Price	VAT %	VAT	Total
Conversion services	1	1	£ 10,000.00	5%	£ 500.00	£ 10,500.00
Redecoration services	1	2	£ 1,000.00	20%	£ 200.00	£ 1,200.00

Sub Total	£	11,000.00
Total VAT	£	700.00

Total amount due £ 11,700.00

- For each <u>supply</u> received, must record
    - Time of supply (tax point)
    - Value of the supply
    - Total amount of input tax for which credit is allowable
-   Relaxations, including
    - More than one supply on an invoice
    - Employee expenses
    - Flat Rate Scheme
    - Others, including where *impossible, impractical or unduly onerous*

Example 3 – supplies received, single rate

My supplier

VAT No 123 1234 12

To: ABC Widgets

<div align="right">

INVOICE

</div>

Invoice Date:	09/10/2018
Invoice Number:	3
Client Reference:	
Purchase Order:	

DUE DATE: 08/11/2018

Description	Qty	Unit	Unit Price	VAT %	VAT	Total
Widget 1	1	1	£ 100.00	20%	£ 20.00	£ 120.00
Widget 2	1	2	£ 50.00	20%	£ 10.00	£ 60.00
Widget 3	1	3	£ 200.00	20%	£ 40.00	£ 240.00

Sub Total	£	350.00
Total VAT	£	70.00

Total amount due £ 420.00

Example 4 – supplies received, mixed rates

My supplier

VAT No 6543 21 98

INVOICE

To: ABC Builders

Invoice Date: 09/10/2018
Invoice Number: 4
Client Reference:
Purchase Order:

DUE DATE: 08/11/2018

Description	Qty	Unit	Unit Price	VAT %	VAT	Total
Conversion services	1	1	£ 10,000.00	5%	£ 500.00	£ 10,500.00
Redecoration services	1	2	£ 1,000.00	20%	£ 200.00	£ 1,200.00

Sub Total	£	11,000.00
Total VAT	£	700.00

Total amount due **£ 11,700.00**

Problem areas?

- Cash Accounting

- Margin schemes [see example]

- Petty cash

- Supply *v* invoice *v* statement

- C79s

- Supplies on eBay, Amazon etc

- Barristers

- …we have a list…

Margin schemes - example

Purchase price = £1,500.00, Selling price = £2,000.00
Gross margin = £500.00, VAT payable (× 1/6) = £83.33

Purchase: enter £1,500 [as a zero rated purchase]?
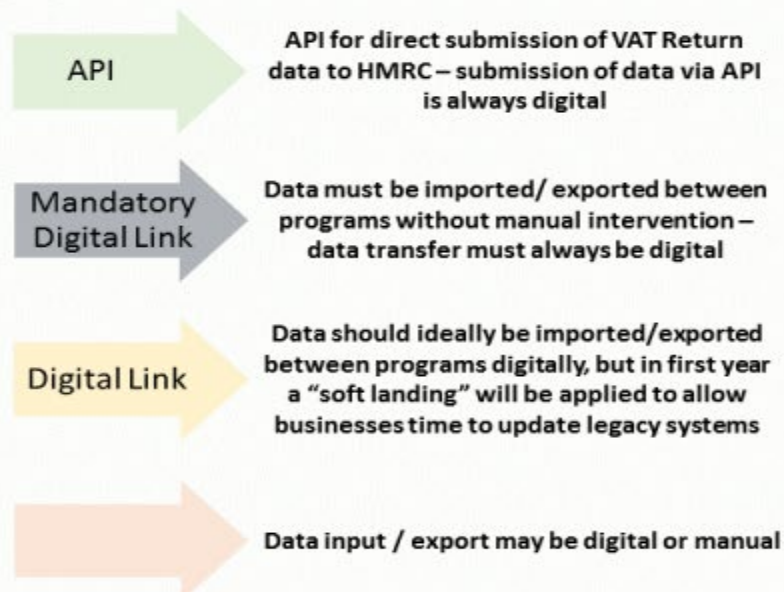**Sale**: choose one of the options below

- **Option 1** – record a standard rated and a zero rated transaction:
- £416.65 @ 20% [gives the £83.33]
- £1,500.02 @ 0%
- Total including VAT = £2,000

- **Option 2** – record one transaction at one rate (eg 20%) then correct later:
- £1916.67 @ 20% [gives £383.33]
- Adjust the amount of VAT down by £300
- Total including VAT = £2,000

2. Digitally link software
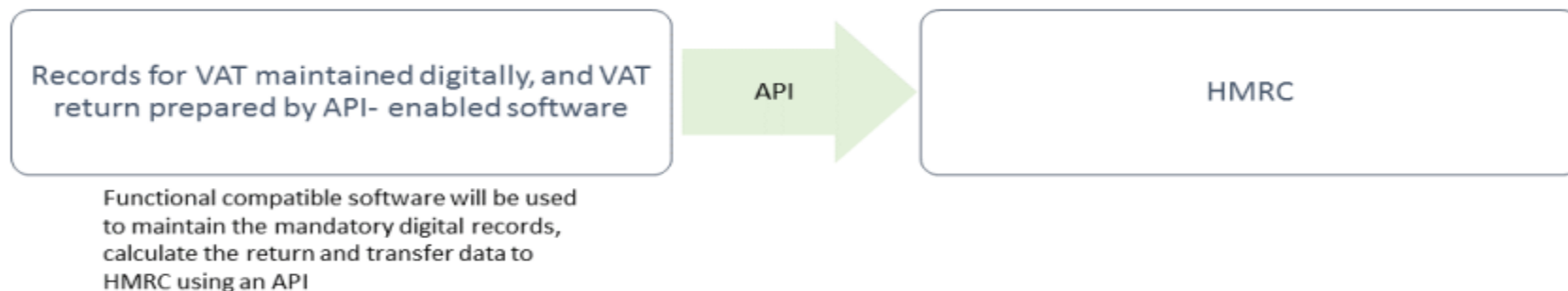# 3. File VAT returns via API-enabled software

Example 1 - Using a single API-enabled software package

Using a single API enabled software package

Records for VAT maintained digitally, and VAT return prepared by API- enabled software → API → HMRC

Functional compatible software will be used to maintain the mandatory digital records, calculate the return and transfer data to HMRC using an API

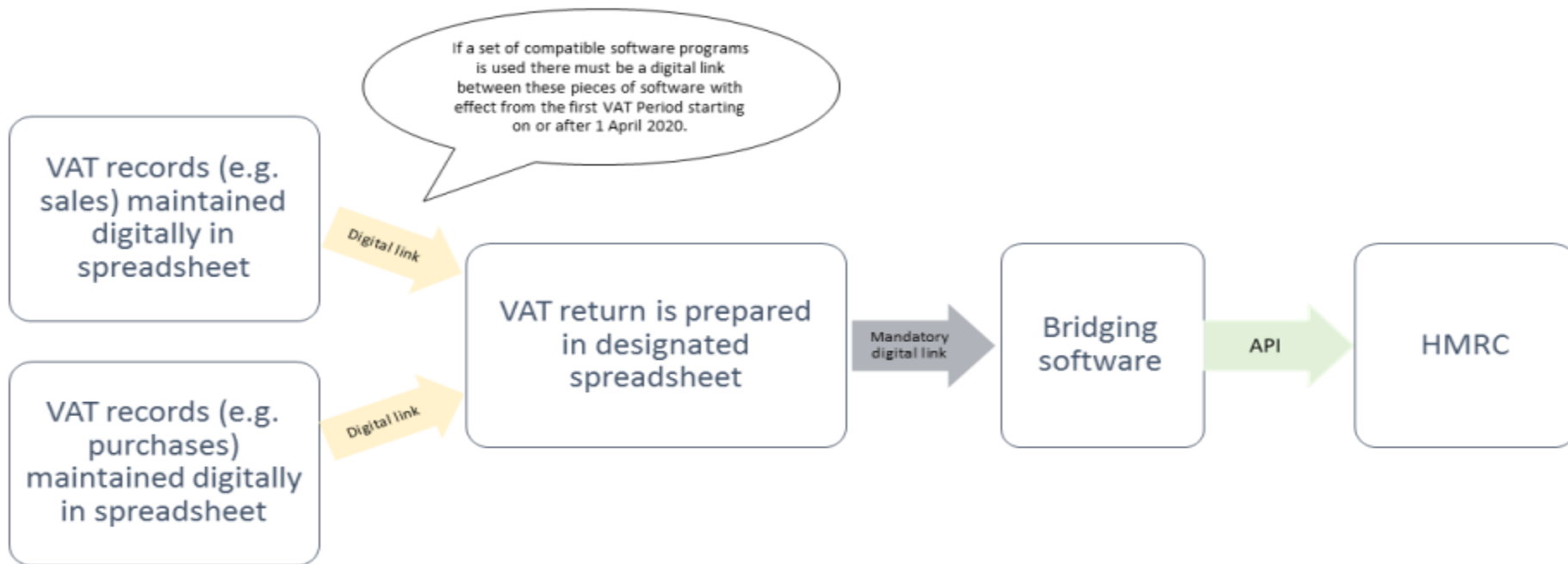# Example 2 - Using API-enabled software and accounting software

Example 3 - Using a spreadsheet and bridging software
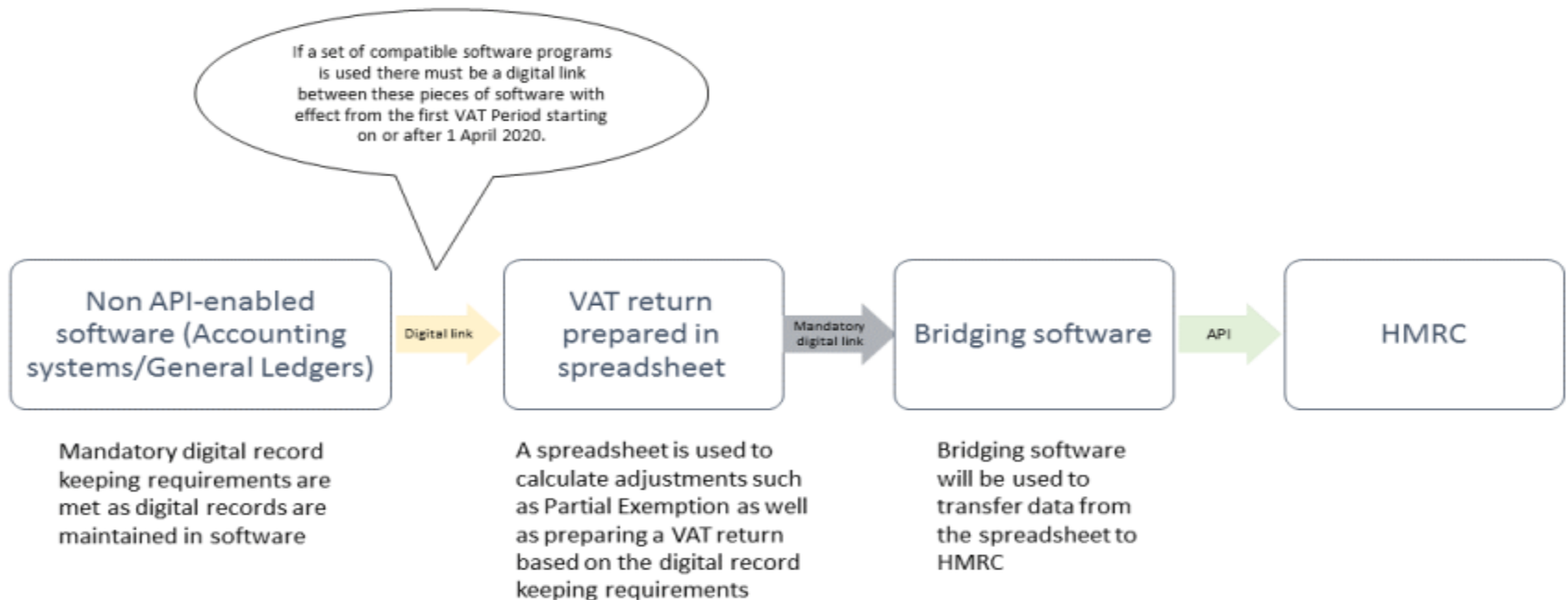
Using a spreadsheet and bridging software
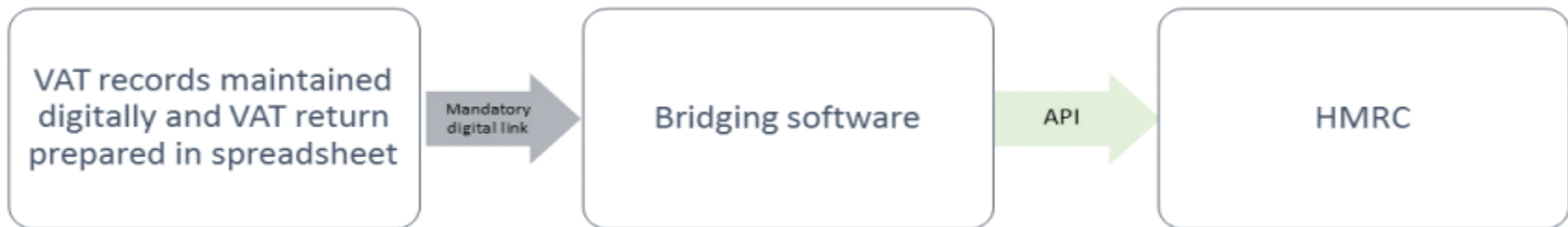
Example 4 - Using multiple spreadsheets and bridging software

Example 5 - Using accounting software, a spreadsheet and bridging software

Using accounting software, a spreadsheet and bridging software

If a set of compatible software programs is used there must be a digital link between these pieces of software with effect from the first VAT Period starting on or after 1 April 2020.

| Non API-enabled software (Accounting systems/General Ledgers) | → Digital link → | VAT return prepared in spreadsheet | → Mandatory digital link → | Bridging software | → API → | HMRC |

Mandatory digital record keeping requirements are met as digital records are maintained in software

A spreadsheet is used to calculate adjustments such as Partial Exemption as well as preparing a VAT return based on the digital record keeping requirements

Bridging software will be used to transfer data from the spreadsheet to HMRC

Example 6 - VAT groups or different parts of the same business

VAT Groups or different parts of the same business

This does not always have to be a VAT group, this may also apply to organisations operating multiple systems e.g. local authorities, large estates, or a farm and associated trades
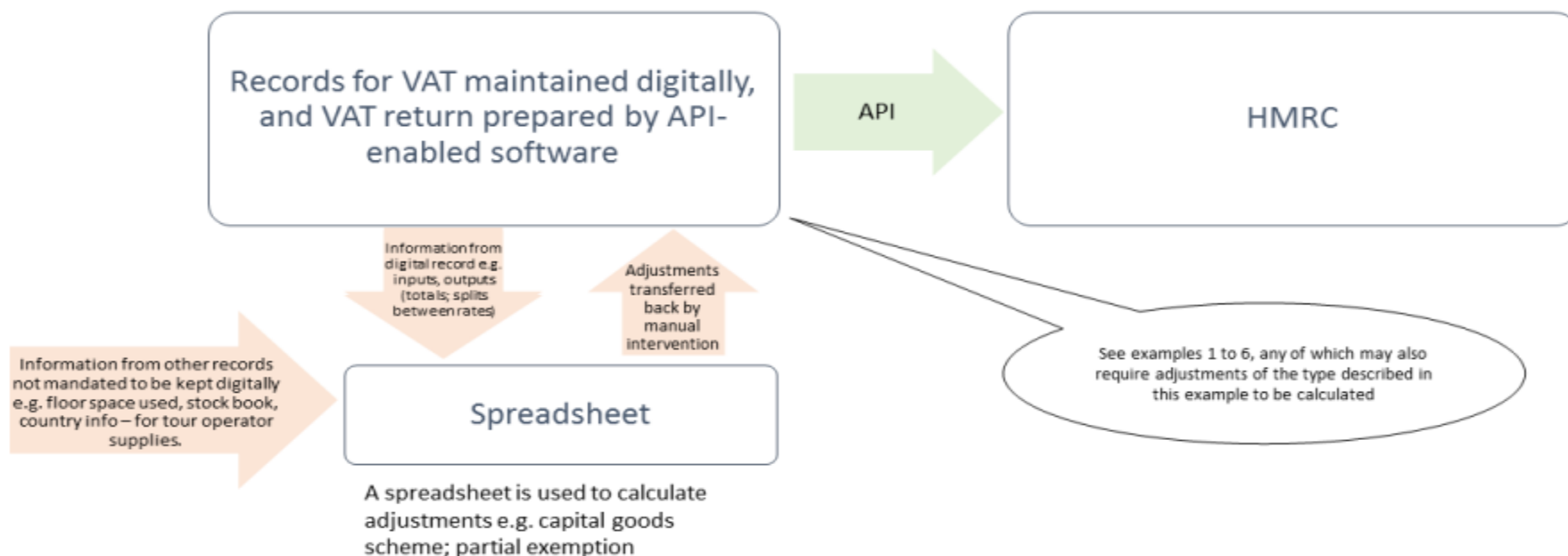
If a set of compatible software programs is used, a digital link must be used to transfer information to the spreadsheet from the first VAT Period starting on or after 1 April 2020.

VAT Group member 1 (XML) → Digital link →

VAT Group member 2 (Spreadsheet) → Digital link →

VAT Group member 3 (XML) → Digital link →

VAT return prepared in spreadsheet → Mandatory digital link → Bridging software → API → HMRC

The mandatory digital record keeping requirements will apply to each member of the VAT Group. However, while HMRC expects that each group member will operate digital links within their individual functional software, it does not expect the software systems of each group member to be linked to other members' systems.

Example 7 - Adjustments, journeys and transfers outside of software

Adjustments, journeys and transfers outside of software

Records for VAT maintained digitally, and VAT return prepared by API-enabled software

API

HMRC

Information from digital record e.g. inputs, outputs (totals; splits between rates)

Adjustments transferred back by manual intervention

Information from other records not mandated to be kept digitally e.g. floor space used, stock book, country info – for tour operator supplies.

Spreadsheet

A spreadsheet is used to calculate adjustments e.g. capital goods scheme; partial exemption

See examples 1 to 6, any of which may also require adjustments of the type described in this example to be calculated

Example 8 - Digital transfers and adjustments within an agent journey using agent's API-enabled software

Digital transfers and adjustments within an agent journey using agent's API-enabled software
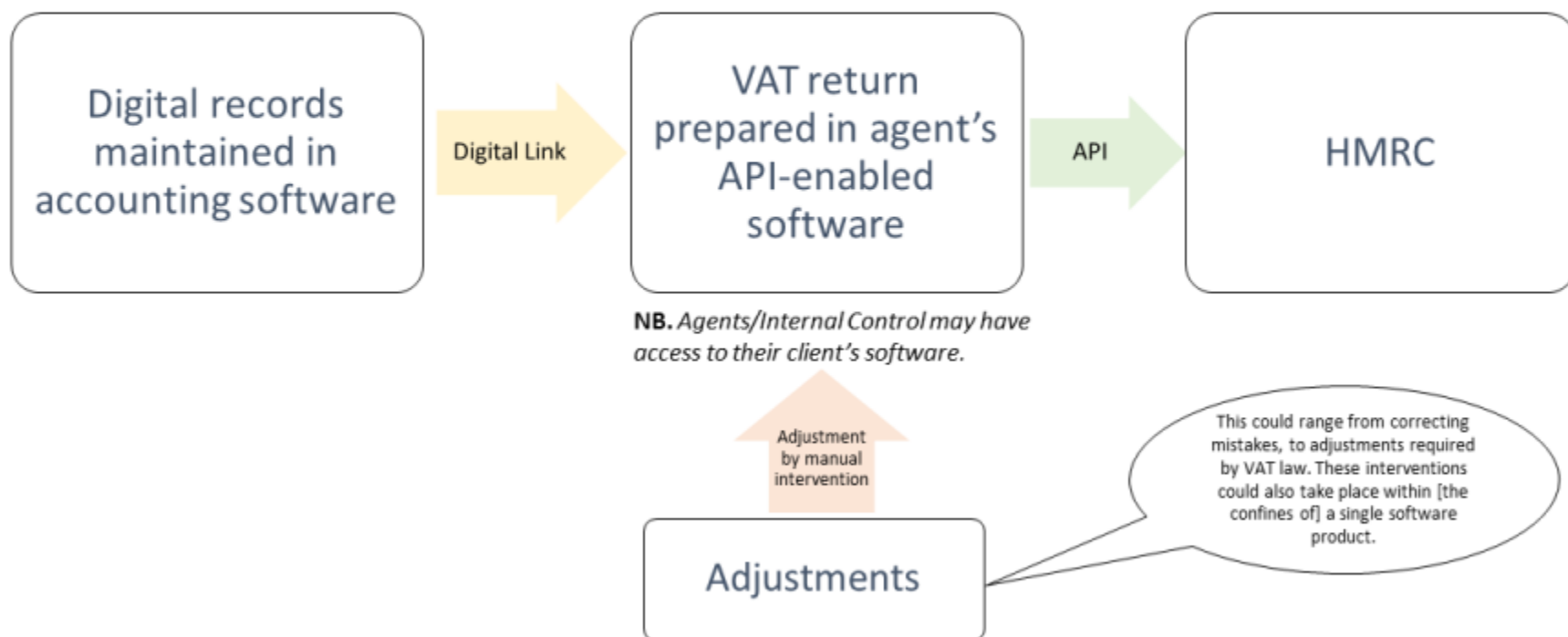
Penalties

- Proposed new regime
  - Late submission (points then penalties)
  - Late payment (interest and penalties)
- Not until April 2021 (at the earliest)
- In the meantime
  - Default surcharge will continue
  - Record keeping penalties
  - "Soft landing" – ie no penalties - for those who try to comply

Live, available software*

- aaaDataX
- Accentra Primo Umbrella
- Accuman - Integrated Management Accounts
- Accuman - MTD bridge
- BTC Software - BTCHub
- BTC MTDfVAT
- Bx
- Cirrostratus Exedra
- Clear Books
- Coins construction
- Deloitte VAT
- Efileready
- Farmplan

- FreeAgent
- IRIS
- Landmark Systems Ltd
- Liquid - Accounts
- Liquid VAT filer
- My Digital Accounts
- No Worries - Simplifi
- PWC spreadsheet
- Quickbooks (Intuit)
- Quickfile
- Sage Business Cloud
- Thomson Reuters – Onvio
- Tax Automation
- Xero
- Zoho

* As at 9 November 2018

Software suppliers with VAT compatible products in development

- 10 Minute Accounts
- Abratax
- Absolute Accounting Software Ltd
- Access Group
- Accounting Office Software Ltd
- AccountsIQ
- AccountsPortal
- Acorah Software Products Ltd (TaxCalc)
- Advanced Computer Software Group Limited
- Ajaccts
- Anagram Systems
- Arkk Solutions
- Avalara
- Border Software Ltd
- Bridge SQ
- Capium Limited
- Croft Computer Systems
- Crunch
- DC Software
- DTracks Limited
- Easy Books
- EasyBuild (Construction Software)
- Essentia Global Services
- Exel Computer Systems plc
- EY
- Farmdata Ltd
- FinanSys - SunSystems
- Forbes Computer Systems
- GoSimple Software
- Grant Thornton UK LLP
- Hartigan Software
- Ibcos Computers Limited
- Information DataHub
- Integrity Software
- Interprise Solutions LLP
- KAI Consulting

- KashFlow
- Kerridge Commercial Systems Ltd
- Keytime
- KPMG
- Liquid Software Solutions Ltd
- MAM Software Limited
- Microsoft Dynamics 365 Business Central
- Microsoft Dynamics NAV
- Motor Trade Technologies Limited
- Nation Wilcox Systems Limited
- Neilson James Technology
- Nomisma Solution Ltd
- Omni
- Paprika
- PS Financials Limited
- PTP
- PwC enterprise
- RedSky
- Rhino Small Business App
- Rialtas Business Solutions
- Road Tech Computer Systems Ltd
- Ryan Tax Services UK Limited
- SAP
- SDA Logic Limited
- Sovos Compliance
- Tax Optimiser
- Tax Systems plc - AlphaVAT
- Thomson Reuters - ONESOURCE
- Trace Solutions Ltd
- Tyresoft Ltd
- Vertex Global Tax Solutions
- Vital Code Ltd
- Web Accounting Solutions Ltd
- Wolters Kluwer
- Yardi Systems

* As at 9 November 2018

Agent Services Account

- Guidance
  - https://www.gov.uk/guidance/get-an-hmrc-agent-services-account
  - https://register.gotowebinar.com/register/1393351007075981059?source=Agent-_Gov
  - https://www.gov.uk/guidance/help-and-support-for-making-tax-digital
  - https://www.taxadvisermagazine.com/article/digital-connections

Agent Services Account - set up

- You will need
  - Nominate which senior person / team will organise
  - Existing Government Gateway credentials
  - Your firm's Unique Taxpayer Reference (UTR)
  - Your firm's name, address and contact details
  - A pen and paper!

Agent Services Account - important points

- One per agent firm (no matter how big!)

- For all MTD (and some other!) services

- Most other services - existing Government Gateway accounts continue

- Can copy across existing client authorities

- Won't have a client list in it

- Overseas agents – functionality early 2019

Signing up to the pilot – what you need

Relevant links: [Use software to submit your VAT Returns](#) and
[Agents: use software to submit VAT Returns](#)

- Compatible software
- Agent [if an agent]
  - ASA [if an agent], with live client authority
  - ASA / Government Gateway credentials
  - Email address
- Trader's
  - VAT number
  - Business type / details / email address

MTD – INCOME TAX / CORPORATION TAX ETC

Income tax / Corporation tax etc

- Income tax
  - No earlier than 1 April 2020
  - Small scale pilot open

- Corporation tax
  - Informal consultation meetings in 2017
  - Expecting a formal consultation *soon*
  - Mandation unlikely until at least April 2021?

Questions?

Disclaimer

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