



MAKING
TAX DIGITAL



MTD Update for Agents #4: 4th March 2019

Dear Agent

Welcome to the 4th edition of our Making Tax Digital Update for Agents!

We've had positive feedback on this initiative, and we hope that you find it useful. If there's any subject you'd like us to cover in future updates please let us know via the MTD mailbox:

makingtaxdigital.mailbox@hmrc.gsi.gov.uk

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Key Updates

- **Exemptions Guidance**

We are pleased to inform you that we have updated the VAT Notice 700/22 to cover exemptions from MTD and included an outline of the process for application. The relevant part of the Notice is [Section 3](#). We have also included some examples of businesses who are exempt.

- **Step by Step Guides**

In response to feedback we have been working on our VAT sign-up advice for businesses and agents and have produced two simple step-by-step guides:

[Agent Step by Step Guide](#)

[Business Step by Step Guide](#)

We hope that these will act as a helpful resource for you and your clients.

- **Update to Software pages on GOV.UK**

We have also made changes to our pages on GOV.UK that provide information on MTD-compatible software.

Firstly, to ensure customers have access to information relating to the correct MTD service for them, we have separated the original page into two separate pages covering [VAT](#) and [Income Tax](#) respectively.

Secondly, we have launched [the first iteration of the VAT software choices viewer](#) with a filter function, allowing the user to filter products according to criteria

- **New VAT registrations**

When a business is required to register for VAT because they make taxable supplies above the threshold they also have to sign themselves up for Making Tax Digital. This will become an automated process on registration but until then businesses must either sign themselves up to MTD or have an agent do this on their behalf.

- **MTD Case Studies**

Two MTD Case Study videos have been released on YouTube:

- Billie Accountants - https://www.youtube.com/watch?v=KC_D9VH5qPU&feature=youtu.be
- Richard – Butchers - <https://www.youtube.com/watch?v=X0fRI7M76no>

Key reminders

- **Getting help with sign up to ASA and MTD**

If you have any issues creating a new ASA, linking clients or signing clients up to MTD you should select the link '**Get help with this page**' on the GOV.UK page you are on. This will raise a query with our IT Service Desk who will investigate and respond accordingly.

Alternatively contact the **VAT Helpline** on 0300 200 3700 and make sure you make it clear that it relates to Making Tax Digital.

- **Signing up to the pilot**

Please remember **do not** sign your clients up to the pilot until you and they are ready. If you intend to file any returns using the portal or non-MTD enabled software **do not sign up to use MTD until you have submitted the final return via the legacy route.**

During the sign up process you will be asked for the business VRN, we have seen a number of agents enter a CRN instead – this is not correct. Please check that you have the right information before you start.

- **New Agent Services Account**

Agents will need to set up a **new** Agent Services Account (ASA) in order to submit VAT returns under Making Tax Digital for Business. There is guidance on GOV.UK at <https://www.gov.uk/guidance/get-an-hmrc-agent-services-account>

Creating the ASA, and linking existing clients to it, does **not** commit to using MTD, but is an important preparatory stage.

After you have created an agent services account you have to sign your clients up to MTD one at a time so plan this carefully.

Unfortunately a very small number of Agents are, when signing up the company, inputting the wrong Company Reference Number. This can result in the wrong information being pulled across to the new MTD VAT account. Agents are being asked to be careful when capturing this information during sign up. The error tends to happen when an Agent is attempting to sign up a list of multiple businesses and simply reads from the wrong line in their list.

Income Tax Pilot

Agents of sole traders and landlords are reminded that there is an alternative to the Self Assessment tax return: <https://www.gov.uk/guidance/agents-use-software-to-send-income-tax-updates>

There is a list of software on [gov.uk](https://www.gov.uk), but your existing software provider may be testing their product behind the scenes.

Once you have compatible software and a new Agent Services Account, it's easy to join the MTD pilot for Income Tax with 1 or 2 clients that already keep digital records. If you, or your client, decide that the pilot is not for you, you can submit a Self-Assessment return as normal.



Spotlight On..... Software

We have covered digital records and digital links previously, which are key components of MTD. Another essential component is software.

VAT Notice 700/22 section 3.2 explains the requirements of functional compatible software <https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat>

3.2 Functional compatible software

Functional compatible software is a software program, or set of software programs, products or applications, that must be able to:

- record and preserve digital records ([see paragraph 3.3](#))
- provide to HMRC information and returns from data held in those digital records by using the API platform
- receive information from HMRC via the API platform

HMRC expects that there will be software products available that will perform all of the functions listed above. Some software programs will not be able to perform all of these functions by themselves. For example, a spreadsheet or other software product that is capable of recording and preserving digital records may not be able to perform the other 2 functions listed above, but can still be a component of functional compatible software if it is used in conjunction with one or more programs that do perform those functions.

The complete set of digital records to meet Making Tax Digital requirements does not all have to be held in one place or in one program. Digital records can be kept in a range of compatible digital formats. Taken together, these form the digital records for the VAT registered entity.

We are regularly asked if spreadsheets can be used to meet MTD obligations and, of course, they can. This is also covered in VAT Notice 700/22 in paragraphs 3.2.3 and 3.2.3.1.

3.2 .3 Bridging software

This is a digital tool (incorporating relevant Making Tax Digital APIs) that is used to connect accounting software to HMRC systems, and allows the required VAT information to be reported digitally to HMRC, and for information to be sent digitally back to the business from HMRC.

3.2 .3 .1 API-enabled spreadsheets

These are spreadsheets that incorporate relevant Making Tax Digital APIs. They can either:

- combine with accounting software to submit the required VAT information digitally to HMRC, and allow information to be sent back to the business digitally from HMRC
- be used to keep digital records and then directly submit the required VAT information digitally to HMRC

MTD Software

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Secondly, we have launched [the first iteration of the VAT software choices viewer](#) with a filter function, allowing the user to filter products according to criteria such as:

- Whether the product is for a business and/or agent;
- What features the products has (such view VAT returns, check what VAT you owe);
- Whether it's bridging software or full digital record keeping.

There are now over 200 MTD-compatible VAT products available and we will continue to improve the filters in order to further enhance the customer experience.

Top Questions about Software

1) Are spreadsheets considered as compatible software?

Yes, they can be. If the spreadsheet is used to keep the digital records and compiles the summary figures for the nine box VAT return, then it is possible to submit the return from the spreadsheet provided it is API enabled. More commonly, submission will likely to undertaken using bridging software which must be

digitally linked to the spreadsheet and uses the embedded API to send the data to HMRC.

2) Will my existing software be updated to be MTD compatible?

That is a question you must ask your provider, only they can tell you for sure. On our software pages on GOV.UK we have listed providers with products available now, and those with software still in development. This may provide an indication of your current provider's position.

We do urge you to confirm with your provider what they will be doing. We do know that some are still in development, and a few providers have advised that they will not be updating all their products to be MTD compatible.

3) Whilst it is great to have so many products available I'm not sure which one to go with.

HMRC cannot endorse or promote any particular product. However, it may be an opportunity to consider and define what your requirements of the software will be? Once you have your "wish list" you may be able to use the new software viewer on GOV.UK to identify potential solutions.

<https://www.tax.service.gov.uk/making-tax-digital-software>

Coming soon

HMRC continue to deliver webinars on Making Tax Digital for both Agents and Businesses.

The next Agent Talking Points will be on 18th and 19th March 2019.

The next Business MTD webinars will be on 6th March 2019.

We look forward to as many joining the sessions as possible!

Mythbusters

MTD will be delayed

This is not correct.

The Financial Secretary to the Treasury made a statement in the House of Commons on 19 February where he confirmed that MTD was proceeding as planned from 1 April 2019.

<https://hansard.parliament.uk/Commons/2019-02-19/debates/802C22E7-88AF-4B3D-A5A6-E98E60F54E50/MakingTaxDigital?highlight=making%20tax%20digital#contribution-CCD23E25-90E0-4396-AAE0-156303BAF2F0>

Making Tax Digital will only be for VAT businesses above the threshold.

This is not correct.

A pilot for Income Tax started in March 2018 and is currently open to sole traders and landlords with no other income to report.

There are over 1 million businesses eligible to join the VAT service voluntarily, but there are no immediate plans to expand this service or to mandate any customers.

A consultation about Corporation Tax will take place at some point in the future but no date has been confirmed.

Useful links

Existing guides:

[Create an agent services account](#)

[Help and support for Making Tax Digital](#)

[Update your client's details for Making Tax Digital for VAT](#)

[Find software suppliers for sending VAT Returns and Income Tax updates](#)

[New guides:](#)

[Making Tax Digital for VAT as an agent: step by step](#)

[Sign in to your agent services account](#)

[Link clients to your agent services account](#)

[Sign up for Making Tax Digital for VAT](#)

[Check when a business must follow the rules for Making Tax Digital for VAT](#)