

# Making Tax Digital for VAT

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A small guide for small businesses.

# What is Making Tax Digital (MTD) for VAT?

It's an overhaul of the UK VAT system which replaces manual processes with digital ones.



HMRC's new policies are designed to save time, reduce errors and cut the risk of penalties - so it's good news for business in the long run.

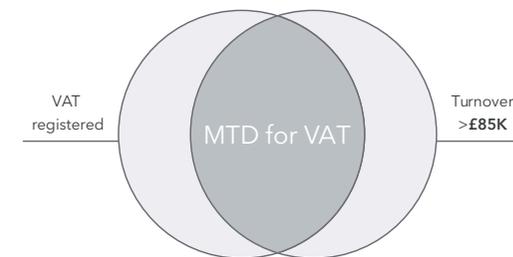
- ✓ Save time
- ✓ Reduce errors
- ✓ Cut risk of penalties

## Who's affected?

It depends on the size and type of business that you operate. HMRC is doing a gradual roll out of Making Tax Digital, starting with Making Tax Digital for VAT.

The first businesses to be affected will:

- be VAT registered
- have a taxable turnover above the VAT threshold (currently £85k) when MTD begins.



If both of these apply to you, the chances are you'll need to comply with the new rules – unless you meet the exemption criteria.

## Who is exempt?

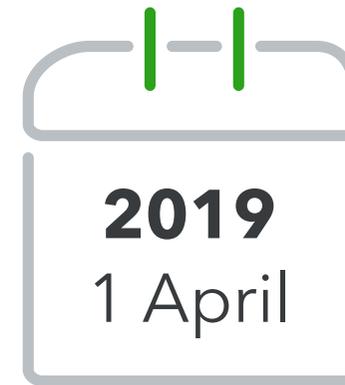
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**Businesses who are already exempt from filing their VAT returns electronically** are also exempt from Making Tax Digital for VAT, unless they choose to take part. They can do this by informing HMRC in writing.

## When does Making Tax Digital for VAT start?

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**Over 96% of businesses** affected by MTD need to start following the rules from the beginning of their first VAT period starting on or after **1 April 2019**.



This includes businesses whose revenue exceeds the VAT threshold during the year, so keep an eye on your turnover. And it's worth knowing that **once you've gone over the £85k threshold, you'll always be required to follow the rules for MTD**, unless you deregister from VAT.

**Around 3.5% of businesses** can wait until 1 October 2019 before they need to follow the rules.

- Trusts
- 'Not for profit' organisations that are not set up as a company
- VAT divisions
- VAT groups
- Government departments
- NHS Trusts
- Local authorities
- Public corporations
- Traders based overseas
- Those required to make payment on account
- Annual accounting scheme users

## Who's affected?

Businesses complying with Making Tax Digital for VAT will need to:



keep and preserve their VAT records in a digital form



file their VAT returns quarterly (or more frequently) using HMRC-recognised software for MTD

# How do I keep digital records?

Keeping and preserving your records in a digital form isn't difficult. In fact, around half of UK businesses use spreadsheets to help manage their finances, the chances are you already do this to some extent.



A spreadsheet is sufficient for recording and preserving your VAT records, **but you'll still need to link it with other software in order to file your return with HMRC.** More on that later.

HMRC has ruled that the following must be kept digitally in order to comply with Making Tax Digital for VAT:

- Business name and contact details
- VAT number & scheme used
- Adjustments
- VAT on supplies made & received
- Time of supply or receipt
- Net value (excluding VAT)
- Rate of VAT charged or that you will claim back
- Daily Gross Takings (DGT) - retail scheme users only
- Value of sales made under Gold Accounting Scheme (if applicable)
- Total output tax on purchases under Gold Accounting Scheme



The following records can be kept digitally but this is not an HMRC requirement:

- Supplies not included on your VAT return
- Physical records/evidence related to VAT transactions (eg. receipts and invoices) Itemisation, where supplies involve multiple quantities or VAT schemes
- Reverse-charge transactions
- Corrections
- Purchase details (this is an option for flat rate scheme users only, and not if they're capital expenditure items)
- Documentation or calculations related to margin scheme entries

A spreadsheet is fine for recording and storing all of this information, **but you'll still need to link it with other software in order to file your details with HMRC** (see below). If you'd rather keep things simple and do everything in one place, we recommend using HMRC-recognised software.

# What is HMRC-recognised software and where can I get it?

HMRC have officially recognised a **range of software providers** supporting Making Tax Digital for VAT. **Intuit QuickBooks is one of them.**

 **intuit quickbooks.**



Make sure the product you choose has all the functionality that QuickBooks offers.



 **intuit quickbooks.**

## Our updated MTD software:



records your finances digitally



links your business and VAT information to all your transactions



compiles your VAT data from the transactions stored in QuickBooks



calculates the VAT you owe, and reminds you when your VAT return is due



supplies your VAT data directly to HMRC

If you're a little unsure about Making Tax Digital, it makes sense to choose a provider with good technical support, like QuickBooks' award-winning UK-based Customer Excellence team. **QuickBooks are also one of the first providers to launch 'bridging software' to help you make the switch from spreadsheets.**



## Can I still use HMRC's online tax services?

### Not as part of Making Tax Digital for VAT.



From 1 April 2019, current HMRC online VAT return filing will be closed to VAT-registered businesses required to comply with Making Tax Digital.

## How do I get my spreadsheet data into HMRC-recognised MTD software?

HMRC knows that digital tax will be a big change for some people. So for **the time being** they're allowing businesses to continue using spreadsheets to record and calculate their VAT returns.



To submit the return, the final values for the VAT return **must be imported into HMRC-recognised MTD-compliant software using something called 'bridging software'**.



QuickBooks users won't need separate software, even if they're still on spreadsheets. **QuickBooks includes a bridging option** which imports data from spreadsheets into QuickBooks and submits the VAT return to HMRC.

## How do I get started?

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Whatever system you use, there are a couple of things you'll need to do before April 2019.

### 1 Register for a Government Gateway account (if you don't already have one).

Go to [www.gateway.gov.uk](http://www.gateway.gov.uk) to sign up and don't leave this to the last minute - you need to get an activation code through the post before you can log in and register for services including MTD for VAT.

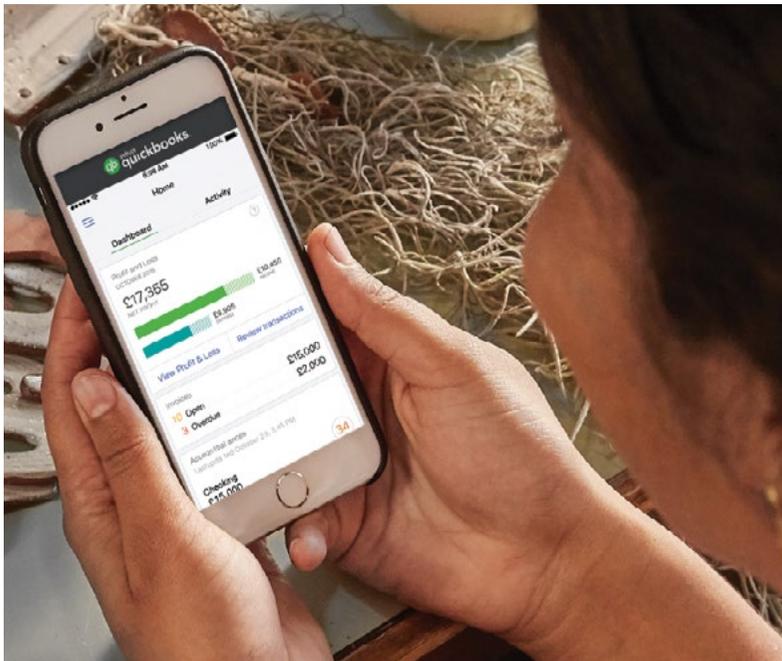
### 2 Choose your software

Give HMRC-recognised QuickBooks a try, or visit the HMRC website for a list of alternative software solutions.

# I already use QuickBooks. Can I relax?

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Customers who already submit their VAT returns to HMRC through QuickBooks **can keep doing this after the Making Tax Digital April 2019 deadline.** You'll just need to log on to your business tax [account](#) and register for Making Tax Digital. We'll also be making it possible for customers using the Flat Rate Scheme to file using QuickBooks.



# Can I leave all this to my accountant?

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**Yes.** You can authorise your accountant or bookkeeper to act on your behalf in the Making Tax Digital VAT service. Make sure you're both using the same accounting software.



There's bound to be some uncertainty around a big change like Making Tax Digital. But with MTD software like [QuickBooks](#), meeting your tax obligations will be a simple and transparent process. **That means less time worrying about your taxes and more time growing your business.**

For all the latest updates on Making Tax Digital visit [QuickBooks' MTD resource centre](#).