

# MAKING TAX DIGITAL FAQ's

We've put together some frequently asked questions to help you understand and prepare for Making Tax Digital for VAT.

## WHAT IS MAKING TAX DIGITAL?

Making Tax Digital (MTD) is the Government's vision for a 'transformed tax system'. The aim is to create a more modern, digital service which will help businesses get their tax right, with technology making it easier for them to do so. HMRC estimates that over £9 billion is lost annually in tax due to errors and mistakes, and it hopes that digital record keeping will help 'to prevent errors associated with manual processes.

## WHO WILL BE AFFECTED AND WHEN DO THE CHANGES COME INTO FORCE?

Currently, it is VAT registered businesses (including the self-employed, landlords, unincorporated businesses, companies, LLPs and charities) with turnover above the VAT registration threshold (currently £85,000).

From April 2022, it will be all VAT registered businesses below the £85,000 threshold.



## WHAT WILL VAT REGISTERED BUSINESSES HAVE TO DO:

If you are registered for VAT you will have to:

- Keep your records digitally (for VAT purposes only)
- Provide your VAT return information to HMRC through Making Tax Digital compatible software

## WHAT ARE THE BENEFITS OF MAKING TAX DIGITAL?

HMRC says "Software will help businesses to stay on top of their record keeping, allowing them to better understand how their business is performing".

A digital system means:

- Always knowing where you stand when it comes to tax
- Having access to tax information online in a single place
- Being able to work online collaboratively with your accountant
- Being able to plan and budget more effectively



## CAN I STILL KEEP MY RECORDS MANUALLY AND SIMPLY FILE THE VAT RETURN THROUGH HMRC'S PORTAL?

No. The new regulations mandate that businesses must keep digital records in compatible software, which can connect to HMRC via an Application Programming Interface (API).

## DO I HAVE TO PURCHASE A SOFTWARE PACKAGE?

The regulations state that a business in scope for MTD must use functional compatible software to meet the new requirements.

So, if you are not currently using a compatible software package you will need to purchase software.

An alternative option is to get your accountant to maintain your records and file your VAT return on your behalf. Contact your local Moore UK office to get a bespoke quote.

## I DON'T HAVE INTERNET ACCESS. CAN I BE EXEMPTED FROM THE SCHEME?

If you can't use a digital system because of your age, a disability or because of where you live (e.g. you don't have internet access), or if you object to using computers on religious grounds you will be able to apply to HMRC for an exemption from the scheme.

Anyone wanting to apply for an exemption will need to contact the HMRC VAT helpline on 0300 200 3700 to discuss alternative arrangements.

## WHAT INFORMATION DO I NEED TO KEEP DIGITALLY?

You will need to keep a record of all sales and purchases so that the totals for applicable VAT outputs and inputs can be calculated for each return period. Additionally, the underlying records need to include the transaction date, the rate of VAT that applies and the invoice total.

There are some exceptions for users of different VAT schemes. For example:

- Retail scheme users will, by HMRC notice or direction, be permitted to record electronically sales transaction data based on daily gross takings, rather than recording details of each sale.
- Flat Rate Scheme Businesses eligible to use the Flat Rate Scheme account for output VAT as a specified percentage of turnover, and don't claim input VAT on most expenses.

Scheme users keep records of sales but the only records of purchases they must keep are those relating to capital goods with a VAT inclusive value of £2,000 or more. Digital record keeping requirements for flat rate scheme users will mirror current record keeping requirements.

## NEED MORE HELP OR ADVICE?

Contact your usual Moore adviser for further information about how Making Tax Digital will affect you, and what you need to do to be compliant with the new regulations.

[Contact your local Moore UK office today.](#)

## GET IN TOUCH

If you would like further information on any item in this brochure, or information on our services please contact the relevant Moore UK office online at [www.moore.co.uk](http://www.moore.co.uk).



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