

# Making Tax Digital

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# Agenda

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- Housekeeping points
- Brief recap from previous events
- Detailed requirements and expected easements
- The exemptions from MTD and how to apply
- Practical elements - signing up for an ASA / MTD
- HMRC's communications
- HMRC's approach to penalties
- Questions and answers

# Housekeeping points

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- Please submit questions as we go along
  - *Thank you for those submitted before the webinar*
- Webinar will be available at this same link for 12 months
- Follow up queries / questions to [technical@ciot.org.uk](mailto:technical@ciot.org.uk) or [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk)

# Useful references / material

- CIOT and ATT websites
  - <https://www.tax.org.uk/policy-and-technical/making-tax-digital>
  - <https://www.att.org.uk/making-tax-digital>
- GOV.UK MTD collections page
  - <https://www.gov.uk/government/collections/making-tax-digital-for-vat>
- HMRC Talking Points sessions
  - <https://www.gov.uk/guidance/help-and-support-for-agents>

# BRIEF RECAP FROM PREVIOUS EVENTS

# Key elements

- All businesses with UK taxable turnover >VAT threshold
  - Unless exempt – see later
- 1 April 2019
  - 1 October 2019 for deferred businesses
- Three main requirements
  - Keep digital records
  - Digitally link software *subject to one year soft landing*
  - File VAT returns via API-enabled software

# 1 April 2019 mandated businesses

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- 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
- All April 2019 mandated businesses can now join the pilot

# 1 October 2019 – deferred businesses

- Small percentage of mandated population
- HMRC letters to deferred businesses
  - 1<sup>st</sup> tranche in December / January
  - 2<sup>nd</sup> tranche before April
- Not received a letter when you should have?
- Received a letter when you shouldn't have?
- Most deferred businesses can join the pilot now
- Will transition into MTD on same basis as 1 April businesses



# DETAILED REQUIREMENTS AND EXPECTED EASEMENTS

# Digital records - Transaction data

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- For each supply made, must record
  - Time of supply (tax point)
  - Value of the supply (net value excluding VAT)
  - Rate of VAT charged
- For each supply received, must record
  - Time of supply (tax point)
  - Value of the supply
  - Total amount of input tax for which credit is allowable

# Relaxations - existing

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- More than one supply on an invoice (Sales and Purchases)
- Third party agents (S & P)
- Retail schemes (S)
- Flat rate scheme (P)
- Employee expenses (P)
- Others

# Relaxations - expected

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- Supplier statements / Cash Accounting (P)
- Petty cash (P)
- Volunteer expenses (P)

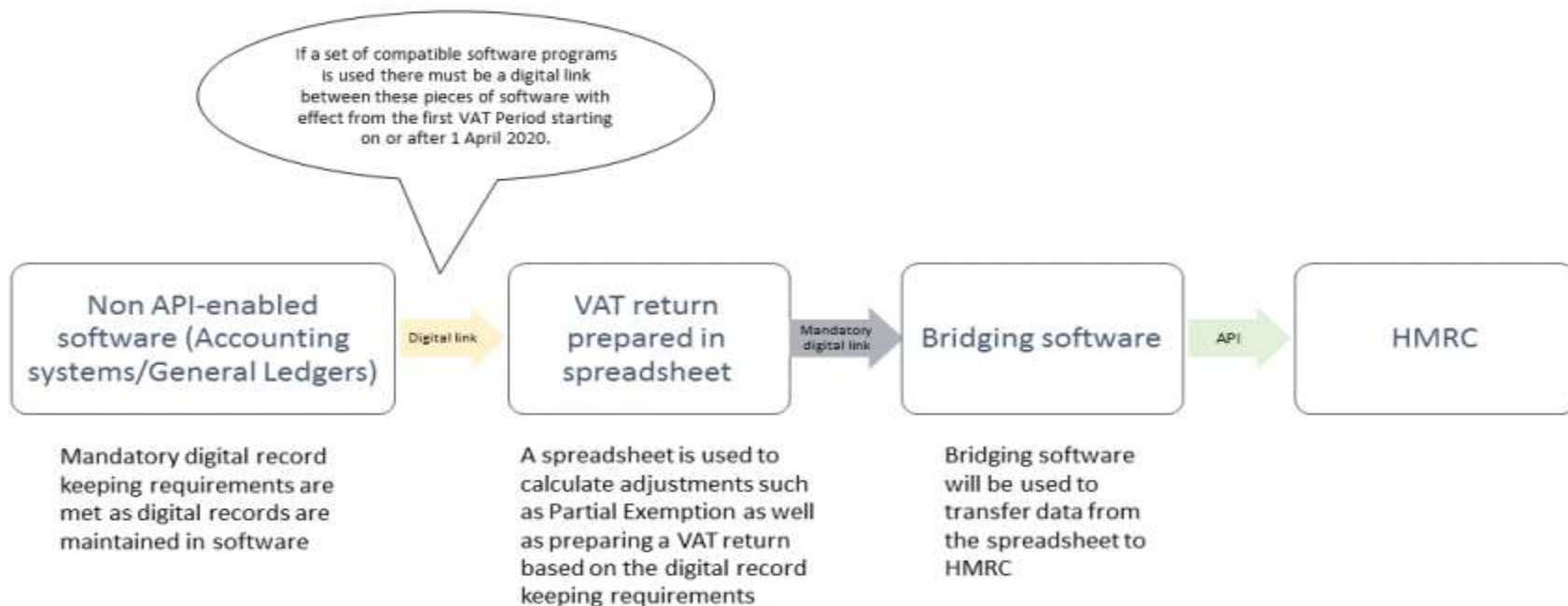
# Digital Links

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- Soft landing
  - One year soft landing confirmed for 1 October 2019 businesses
  - Cut and paste and copy and paste acceptable
- Mandatory into submission product
  - Cannot just type in the figures!

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

## Using accounting software, a spreadsheet and bridging software



# EXEMPTIONS FROM MTD AND HOW TO APPLY

# Automatic exemptions

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- Taxable turnover below £85,000
  - No need to apply to HMRC
    - Follow existing record keeping / VAT return processes
  - Beware increases in turnover
    - Including one-offs
  - Can join voluntarily
- Currently exempt from online filing of VAT returns
  - Exemption will carry over in MTD automatically
- In an Insolvency procedure



# Claimable exemptions

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- Where HMRC is satisfied
  - Doesn't use electronic communications due to religious beliefs
  - Not reasonably practicable ... for reasons of disability, age, remoteness of location or any other reason
- All business owners must qualify for exemption
- Exemption must be applied for

# Applying for exemption

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- Contact HMRC
  - VAT Helpline 0300 200 3700
  - VAT Written Enquiries Team, Portcullis House, 21 India Street, Glasgow, G2 4PZ,
- Explain grounds on which requesting exemption
  - Agent / family member can call on taxpayer's behalf
- Decided on case-by-case basis
- Refusal of exemption is an appealable matter
- HMRC guidance expected shortly

# GETTING READY

# Making Tax Digital for VAT as an agent: step by step

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<https://www.gov.uk/guidance/making-tax-digital-for-vat-as-an-agent-step-by-step>

1. Talk to your clients
2. Get the right software
3. Create an agent services account
4. Link clients to your agent services account
5. Sign your clients up for Making Tax Digital
6. Authorise your software

# Software

<https://www.gov.uk/guidance/software-for-sending-income-tax-updates>

- Over 190 products currently MTD ready
  - Who for
  - Features
- Around 60 products in development
- Software choices page in development

# Create an agent services account



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<https://www.gov.uk/guidance/get-an-hmrc-agent-services-account>

- You will need
  - Your UTR
  - Existing Government Gateway credentials
  - Your firm's AML details
  - Your firm's name, address and contact details
  - A pen and paper!

# Link clients to your agent services account



<https://www.gov.uk/guidance/link-clients-to-your-agent-services-account>

- Existing clients
  - Link dynamically
  - *“link your current Self Assessment and VAT clients to this account”*
- New clients
  - Can authorise through ASA
  - *“Ask a client to authorise you”*

## Other ASA points

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- Lots of ASA guidance
- New landing page expected
- Existing GG accounts for other services
- No client list in ASA
  - HMRC looking at a ‘flat’ client list
- Issues reported
  - Differentiating ASA from other GG accounts
  - Using wrong credentials
  - Linking clients – sometimes option doesn’t exist



# Signing up

<https://www.gov.uk/guidance/sign-up-for-making-tax-digital-for-vat>

- Have to enrol into MTD – it doesn't just happen
- Signing up needs to be timed very carefully!
  - <https://www.tax.org.uk/policy-and-technical/making-tax-digital#enrolling>
- Electronic communications
- Once you're in, you're in!

# HMRC'S COMMUNICATIONS

# Letters to businesses

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- Potentially in scope of MTD – four letter types
  - Above the threshold, software known
  - Above the threshold, software not known
  - Around the threshold, software known
  - Around the threshold, software not known
- All letters issued by end of February

# Other communications

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- Nudge emails
- Existing HMRC VAT touch points – VAT Helpline, VAT portal etc.
- National and local media activity
- Trade press
- Case studies
- Parliamentary surgeries
- Social media – Twitter, YouTube etc.

# HMRC'S APPROACH TO PENALTIES

# Default Surcharge

- Late submission triggers / extends surcharge period
  - No financial penalty
- Late payment triggers potential penalty
  - 2% / 5% / 10% / 15%
- Reasonable excuse defence
- No soft landing on default surcharge

# Record keeping / regulatory penalties

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- Various other potential penalties
  - Record keeping penalty
  - Record retention penalty
  - Filing method penalty
- Soft touch approach by HMRC
- Reasonable excuse defence
- Interaction / double jeopardy

# Key points for you / your clients

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- In scope and from when
- If exempt / deferred – have confirmation?
- Any changes needed to information captured?
- Choose the right (combination of) software
- Ensure ASA has been set up and clients linked / authorised
- Enrol into MTD when ready!



# Questions?

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# Disclaimer

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No responsibility can be accepted for the consequences of any action taken or refrained from as a result of these notes or the talk for which they were prepared.