

Transformation of HMRC's VAT services

What we are doing and why?

From March 2021 HMRC intend to migrate all of their remaining VAT customers from the VAT Mainframe (VMF) on to their Enterprise Tax Management Platform (ETMP).

Customers who have already signed up to Making Tax Digital (MTD) are not affected by this change and do not need to take any action, as their records are already stored on ETMP.

Any VAT businesses with taxable turnover above £85,000 who have not yet signed up to MTD must do so now or they may be charged a penalty. Further guidance on penalties is available at:

<https://www.gov.uk/vat-returns/surcharges-and-penalties>

This migration will stop the dual running of VAT across the two systems and allow for the decommissioning of the VAT mainframe which is expensive to run and maintain.

What you need to do

Business should continue to file their VAT returns through their Business Tax Account as normal. Further information on Business Tax Account is available at:

<https://www.gov.uk/guidance/sign-in-to-your-hmrc-business-tax-account>

You may notice a change in how the service looks after your records have been migrated to ETMP.

Some VAT businesses and their agents will need to take action **before 28 February 2021** in preparation for migration.

MTD for VAT will be extended to include businesses with taxable turnover below £85,000 from April 2022. Selecting MTD software and signing up to MTD now avoids the need to carry out the actions below and may save businesses considerable time and effort as we approach that deadline. Further information on signing up to MTD is available at:

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

Direct Debit customers

For Direct Debit payments to continue after migration, HMRC will need a valid and current email address for customers. This allows HMRC to comply with UK banking regulations requiring them to notify customers of the date and amount to be taken by Direct Debit (we have chosen to do this by email).

HMRC will therefore request affected customers to provide this information, ideally via their Business Tax Account. This will reduce calls to the VAT helpline and minimise call waiting times for customers.

Without a valid email address, HMRC may be unable to collect VAT payments.

eXtensible Markup Language (XML) customers

XML is the functionality available in some software products that allows users to file VAT Returns directly to HMRC from their software. It is not the same as MTD enabled software. Customers unsure as to whether their software product uses XML should contact their software provider.

Only a small number of our customers use XML to file their VAT returns. XML is not compatible with HMRC's digital strategy for VAT services. This option as a way of filing VAT returns will be removed from April 21.

HMRC will contact businesses who file their VAT returns via XML, and their software providers, in advance of April 21. These customers are encouraged to sign up and switch to MTD compatible software, which includes bridging products, as a means of submitting their VAT returns through software. Otherwise, they will need to file through their Business Tax Account as usual.

Agents

Following migration to ETMP, Agents will be unable to use the agent online service for their VAT clients who are not yet signed up to MTD VAT. Instead, they must file their clients VAT returns through the Agent Service Account (ASA), using the existing link within the ASA ('Your Client's VAT details', 'Submit VAT return'), to submit returns on behalf of a client.

Agents who haven't already done so must therefore create an ASA and copy across all their VAT customers to it. This can be done at: <https://www.gov.uk/guidance/get-an-hmrc-agent-services-account>

This means that from March 2021 agents will need to file their clients VAT returns who are not yet signed up to MTD for VAT in one of two ways, depending on whether they have been migrated to ETMP or not.

Agents will need to check using method (a) whether they are able to file or not, and if not, use method (b).

- (a) through agent online services for clients who haven't yet been migrated, or
- (b) through an ASA for clients who have been migrated.