Your Guide to Making Tax Digital for VAT

From April 2019 all VAT-registered UK businesses must adopt a new approach to accounting for the tax. The VAT records kept by your business must, from 1 April 2019, be held digitally and in a way that supports digital VAT returns.

Records supporting that VAT return, including details of invoices and expenses, must be held in a software system that complies with the prescribed new format. This is part of the HMRC's initiative called Making Tax Digital (MTD).

Reap efficiency benefits as you comply with the rules

For many businesses, MTD is an opportunity to streamline their internal processes for VAT accounting. However, it also presents a challenge for the many firms reliant on spreadsheets to paper over the cracks in the final stages of their VAT return calculations.

There's much more to this new world of digital VAT accounting than completing the final return online. That's been available since 2010 and almost every VAT return is already filed electronically.

Until now, the process of calculating the numbers that go into your VAT return has often meant drawing figures from a number of sources. This is why spreadsheets are often used to provide the final results.

By insisting on a seamless digital process, from every VAT transaction to the final VAT return, MTD brings a new level of efficiency to the accounting process. It makes it easier for businesses to remove manual processes that can introduce error and create risks to data security.

By digitising, HMRC wants to become one of the most digitally advanced tax administrations in the world.

The absolute essentials of Digital Tax

It is your responsibility to ensure that your business handles VAT information in a way that meets the requirements of MTD.

The system of submitting regular VAT returns has not changed. What is new is the requirement to hold and present VAT information digitally.

For businesses with turnover exceeding the VAT threshold, all VAT transactions from 1 April 2019 must adhere to MTD standards. That is, the details of all transactions must be captured and processed in MTD-compliant software.

These transactions include all sales invoices, purchase invoices and other expenses.

Software that is MTD-compliant will store VAT information in such a way that it can be easily communicated to HMRC when a VAT return is submitted.

There are some exceptions, such as for organisations with complex VAT accounting requirements. However, many of these only have the option to defer adoption for up to six months.

HMRC does not supply software to help businesses keep the information required. It has been working with software companies and, through its website, provides a list of accounting systems that are MTD-compliant.

How we can help you with Making Tax Digital

Improving the efficiency and effectiveness of digital systems is at the heart of what we do. We allow our customers to focus on running their business, without the distraction of system issues. Our approach embraces all aspects of digital including security, user experience, upgrades, integration and problem solving.

To find out more about how we can help your business take full advantage of the move to Making Tax Digital, give us a call on 03450 510600 or email enquiries@itsupport365.co.uk. We would be pleased to have a no-obligation conversation with you.

Alternatively, follow us as we share news updates and information on Twitter, Facebook and LinkedIn.

Being digitally efficient and effective isn't an optional extra in today's connected world. It's your choice whether or not to pursue all the benefits of digital, in order to maximise competitiveness. That's what we help our customers to achieve.