Making Tax Digital

General Features **Indirect Tax**

01 February 2019

The VAT pilot has been opened up to all businesses who are mandated into MTD from 1 April 2019, but care needs to be taken to sign up at the right time. HMRC is also writing directly to businesses – have you/your clients received a letter?

HMRC recently announced that the VAT pilot has now been opened up to all types of business mandated from 1 April 2019, as well as to VAT groups (who are mandated from 1 October 2019). Do not forget that businesses have to enrol into MTD – it does not happen automatically – and even though time is running short many businesses will wish to join the pilot to try out the system before it becomes mandatory.

However, careful consideration needs to be given to when a business signs up to MTD, as HMRC will expect the next VAT return due to be filed under MTD rather than via the VAT portal. By way of illustration, if a business on ‘stagger 1’ enrols into the pilot on 1 February 2019, if it has not yet submitted its December 2018 VAT return (due 7 February 2019), HMRC will expect that return to come through MTD, not the portal. If the business submits the December 2018 VAT return through the portal, HMRC’s systems will not recognise it as being received and a whole host of problems will ensue.

In any event, businesses should enrol at least three days before the due date for the return, if they intend to file that return through MTD, as HMRC will send an email confirming sign-up, but say to allow 72 hours for its receipt. Further, businesses with a direct debit in place should not sign up within 15 working days before or five working days after the due date for the return, if they intend to file that return through MTD. As it stands, this could mean that some businesses have a narrow (or even non-existent!) sign-up window in a particular month. We are currently working on some guidance to help businesses sign up at the right time.

HMRC is also in the process of writing directly to businesses. All businesses which HMRC consider may be in the scope of MTD from 1 April 2019 will get a prompting

letter from HMRC – though HMRC cannot ascertain exactly which businesses should be mandated so receipt of such a letter should not necessarily be considered a requirement to enrol.

HMRC are also writing to the businesses that will benefit from the deferral to 1 October 2019. All UK businesses in this population should have received a letter by now, and overseas businesses should receive one this month. These letters represent a specific direction to continue to use the existing method of filing VAT returns, and exemption from the requirement to keep an 'electronic account' (aka digital records). If a business that expects to be deferred hasn't received such a letter they should contact HMRC. HMRC are also considering how to notify businesses that qualify for deferral between now and 1 April 2019 (for example because they set up a VAT group) and more information around that will follow.

One of the challenges of writing for *Tax Adviser* about MTD is the current pace of developments – so for more real-time updates keep an eye on the MTD pages of the CIOT and ATT websites.