Making Tax Digital for VAT – still waiting to sign up?

General Features | Indirect Tax

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Although the digital record keeping part of MTD is now live for all mandated VAT registered taxpayers, it may still not be necessary to have signed up for the service yet. Below we have some reminders and information for taxpayers who have not yet signed up.

Sign up deadlines

For taxpayers that are on a calendar quarter VAT return ('stagger 1') and are not otherwise exempt from MTD, the June 2019 VAT return is the first return that must be filed digitally via MTD software by 7 August 2019. For those that pay VAT via a direct debit, the MTD registration must be completed by 30 July 2019. For those not on a direct debit, the sign up deadline is 4 August 2019. The CIOT and ATT websites have details on the sign up deadlines for staggers 2 and 3.

Signing up – agent and taxpayer step by step guides

HMRC have published step by step guides for the sign up process for both agents and taxpayers themselves. To sign up clients for MTD, agents must first set up an Agent Services account. Even if the agent signs up the taxpayer for MTD, either party should still be able to file the VAT returns; although we are aware of some errors messages that suggest otherwise.

The step by step guide for agents and for taxpayers is available on GOV.UK.

Turnover

If your taxable turnover is below the VAT registration threshold, exemption from MTD is automatic, even where another exemption applies, such as disability or

remoteness of location. There is no benefit in applying for exemption on alternative grounds where the business is below the VAT threshold as HMRC will not consider those reasons until the business breaches the threshold.

It is important to understand what constitutes taxable turnover when considering whether you are mandated for MTD or not. As well as the usual standard, reduced and zero rated supplies, you must add to your turnover the value of your reverse charges, domestic reverse charges (though not relating to construction services from October 2019) and the disposal of capital items. Supplies that are outside the scope of UK VAT, typically international services, are not included in the turnover calculation.

Richard Wild has written an article that explores this in more detail.

Multiple payments on a single VAT return

Where taxpayers pay the VAT return in several payments, HMRC indicated that if a part payment is made in advance of the payment deadline, only the balance should be taken by direct debit.

VAT helpline

HMRC informed us that by mid-June, the automated answering service for the VAT helpline will be updated so that it recognises when taxpayers say ‘making tax digital’ or ‘MTD’ as the matter that they wish to discuss (note this is different to voice recognition security), so this should improve callers being directed to the right department. We note that the helpline had been under considerable strain of late which we have raised as a concern to HMRC; they confirmed that they have recruited around 100 new staff that should now be trained and working the helpline.

Please continue to send in your experiences of MTD, good or bad, to technical@ciot.org.uk. We regularly refer to member examples in our interactions with HMRC.