

## Making Tax Digital: important updates to VAT Notice 700/22, and enrolling businesses with no Unique Taxpayer Reference

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HMRC has added some important updates to VAT Notice 700 /22, including three relaxations to the digital record keeping requirements. The process for enrolling into Making Tax Digital if you do not have a Unique Taxpayer Reference has also been clarified.

CIOT and ATT continue to work closely with HMRC on the roll out of Making Tax Digital (MTD) and have been instrumental in securing some further relaxations to the digital record keeping requirements.

When speaking at branch events it became apparent that there are sectors (such as retail pharmacists, construction businesses etc) within which businesses receive a large number of purchase invoices from the same suppliers. Many of these businesses currently just match the invoices to the supplier statement, and enter the supplier statement amounts in their accounting records. The strict requirements of MTD require each individual supply, or at least each individual invoice, to be entered into the digital records and would represent a significant, additional compliance burden for those businesses. We have been discussing this with HMRC and a relaxation has been agreed which enables businesses, in some instances, to capture in their digital records the information from supplier statements, rather than from each individual invoice. This relaxation is set out in paragraph 4.3.3.1 of the VAT Notice, the force of law element of which states: 'Where a supplier issues a statement for a period you may record the totals from the supplier statement (rather than the individual invoices) provided all supplies on the statement are to be included on the same return and the total VAT charged at each rate is shown.'

This easement only applies to purchases, not sales, but it does represent a very useful relaxation from the strict requirements.

Similarly, in relation to petty cash purchases, the strict requirement is to record each individual supply, or at least each individual invoice/receipt, in the digital records. For small items of expenditure this would be extremely onerous. Again we discussed this with HMRC and a relaxation has been agreed which allows petty cash transactions to be added up and summary totals entered into the digital records.

This relaxation is set out in paragraph 4.3.3.2 of the VAT Notice, the force of law element of which states: 'Where a business uses petty cash to pay for small value items, these do not need to be individually recorded in the digital records. The business can record the total value and the total input tax allowable. This applies to individual purchases with a VAT-inclusive value below £50 and the total value of petty cash transactions recorded in this way cannot exceed a VAT-inclusive value of £500 per entry.'

The third relaxation relates to charity fundraising events run by volunteers, and enables the total values of supplies made to be entered as a single transaction, and similarly for supplies received. This relaxation is set out in paragraph 4.3.4 of the VAT Notice, the force of law element of which states: 'Where supplies are made or received during a charity fundraising event run by volunteers you may treat all supplies made as covered by one invoice for the event, and all supplies received as covered by one invoice for the event, for the purposes of the digital record keeping requirements.'

If you believe there are other scenarios which warrant an easement from the strict digital record keeping requirements, then send details to [technical@ciot.org.uk](mailto:technical@ciot.org.uk) [1] or [attechnical@att.org.uk](mailto:attechnical@att.org.uk) [2]. In the meantime, businesses and their agents should take assurance from the fact that HMRC will not be seeking to apply record-keeping penalties where a business is trying to comply with the requirements of MTD.

Finally, a number of minor amendments were also made to the VAT Notice to improve clarity. These were in relation to signing up to MTD, digital links, and supplies made by third party agents.

The updated VAT Notice can be found on [GOV.UK](#) [3].

Separately, we received contact from several members about the difficulties they had experienced when trying to enrol VAT registered partnerships into MTD, where the partnership does not have a UTR. This typically occurs where several parties have a shared interest in property that is opted to tax and so they have to register for VAT, but they are not a partnership for tax purposes and hence have no UTR. Some have been advised by HMRC to create a legal entity for the sole purpose of obtaining a UTR for the MTD registration. Until recently, the MTD registration sign up system required a UTR to be entered to proceed with the enrolment process. However, HMRC has confirmed that a system upgrade has updated the process so that VAT registered partnerships without UTRs can register for MTD. Affected taxpayers who have changed their arrangements solely for the purposes of obtaining an MTD registration may wish to revisit the position.

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**Links**

[1] <mailto:technical@ciot.org.uk>

[2] <mailto:atttechnical@att.org.uk>

[3] <http://tinyurl.com/y8uev24q>