

Making Tax Digital for VAT

Factsheet for voluntary VAT-registered businesses

Making Tax Digital (MTD) for VAT has been extended to voluntary VAT-registered businesses, with effect from their first VAT return, starting on or after 1 April 2022.

You will need to take action if your business has voluntary VAT registration (it is registered for VAT but makes taxable supplies of less than £85,000 each year), you wish to remain registered and you have not already signed up for MTD for VAT.

You will need to ensure that you:

- ❑ Register your business for MTD for VAT
- ❑ Keep your business' VAT records digitally; and
- ❑ Submit your VAT return to HMRC using Making Tax Digital compatible software

Frequently Asked Questions

Is registering for MTD for VAT difficult?

The process itself is not difficult. Registration is done via the gov.uk website; search "Sign up for MTD for VAT".

You will need:

- ❑ your business email address
- ❑ a Government Gateway user ID and password - if you do not have a user ID, you can create one when you use the service
- ❑ your VAT registration number and latest VAT return
- ❑ your National Insurance number if you're a sole trader
- ❑ your company registration number and Unique Taxpayer Reference, if you're a limited company or registered society
- ❑ your Unique Taxpayer Reference and the postcode where you are registered for Self-Assessment, if you are a general partnership
- ❑ your Unique Taxpayer Reference, the postcode where you are registered for Self-Assessment and your company's registration number, if you're a limited partnership

Once you are registered, you can no longer submit your VAT returns in the traditional way – so wait until you have completed your last return under the "old" system.

Will I have to change my accounting system?

It depends. Most well-known bookkeeping software packages will be MTD-compatible although you might have to update them. You should check with your provider that the software is compliant.

We recommend using a cloud-based bookkeeping system. These are easy to use and often save time because they can be linked to your business bank accounts which avoid re-keying entries. HWB are partners with Xero and FreeAgent and can offer support including implementation and training on these systems.

In future, Making Tax Digital will be extended to taxes other than VAT and we consider that a cloud-based system will put your business in a good position for this.

Can I still use spreadsheets?

It is fine to use spreadsheets, but there are a couple of things to think about. Firstly the spreadsheet must contain all of the information specified by HMRC to meet their MTD requirements. Secondly, any links between systems must be digital – you cannot use copy and paste or manually re-key figures.

How do I submit my VAT return under MTD?

If you are using cloud based or desktop bookkeeping software, you should be able to continue submitting your return within the software. If you are using the spreadsheet, you will need to use a piece of “bridging software”.

Are there any exemptions I could use?

There are some exemptions from complying with MTD for VAT, but these are very limited. They apply if people have religious beliefs that are not compatible with the requirements, or for people whose age, disability or remoteness means it is not reasonably practical for them to use digital tools.

Where can I access more support?

HWB is on hand to help guide you through the switch. Just get in touch with us via our contact page or speak to your Business Adviser who will be able to explain the next steps.

This document was correct as at April 2022. The document is intended to provide a general guide and further advice should be sought before relying upon this information to undertake transactions.