

VAT - Digital changes ahead for Business

Making VAT Digital

This big change goes live on April 1st, 2019 and will impact your business if:

- You are registered for VAT and
- Your taxable turnover is over £85,000

If you meet these criteria, then you must act now to ensure that you comply with the new rules. There are very few exemptions. Charities and not-for-profit sector organisations who are VAT-registered and above the turnover threshold will also need to apply the new rules.

What does it mean for my business?

1. Electronic Filing of VAT returns

You must move to a system which allows you to report your VAT return information directly to HMRC. For any return commencing on or after April 1st, 2019 you will no longer be permitted to submit your VAT return through your government gateway account. Instead, you must use software which is able to communicate with HMRC via an Application Programming Interface (API). If you do not have this in place, HMRC's system may prevent you from submitting your VAT return in the traditional way and you may face penalties, which can be as high as 15% of the VAT due.

2. Digitised Record-Keeping

In addition, VAT registered taxpayers covered by Making VAT Digital will no longer be able to maintain manual records in any part of their accounting system. For those who use a set of software programmes and products such as spreadsheets digital links must be in place by April 1st 2020 to transfer data

between each function. It will no longer be acceptable to manually re-key data from one system to another.

What do we know from HMRC and software providers?

Unfortunately, as with all change, there is not as much certainty and guidance as we would like. HMRC have drafted a public notice which sets out the changes to legislation, a timetable and what will be expected. HMRC have a small pilot trial and about 60 of the main software providers are involved in this. Businesses should be able to elect to be included in a further trial this October.

There is some movement from software suppliers. Some have created API enabled spreadsheets that will allow that "bridge" to be made between the businesses records and HMRC VAT return system. However, this is a first fix. The largest providers have confirmed that Making VAT Digital is being treated as a priority and a patch will be available in good time.

What can I do in the meantime?

a) Ensure that the software you use to produce your VAT return figures will be API-enabled in time for April 2019. Your software provider will be able to update you. Alternatively, you can acquire an API enabled spreadsheet to bolt on as an interim measure. These are coming on to the market now.

b) Digitise all parts of your record-keeping and ensure that the VAT return can be created from those digital records.

We will be contacting all our clients in the very near future providing more information on what they need to do to be compliant with the new rules.

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