



M+A

Partners

Making Tax Digital (MTD) for VAT

Making Tax Digital (MTD) for VAT was originally introduced in April 2019 for those businesses with a taxable turnover above the VAT threshold. MTD is a way of enabling greater accuracy of tax returns by removing manual processes while keeping digital records and using third-party software to submit tax returns to HMRC.

From April 2022, all VAT registered businesses, regardless of their taxable turnover, will be required to use MTD for their VAT reporting and record keeping obligations.

Introduction of MTD for all VAT registered businesses

All VAT registered businesses will be required to register for MTD from their first VAT period starting on or after 1 April 2022.

From this date, businesses must:

- + Keep their records digitally (for VAT purposes only); and
 - + Provide VAT return information to HMRC through Making Tax Digital compatible software.
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Keeping digital records

A compatible software package is required to keep records digitally and to connect to HMRC systems to submit VAT returns.

If the digital records are kept in more than one place, and a number of software packages are used, they will need to be linked together to enable the transfer, recapture or modification of data to happen electronically between the programs.

Examples of digital links include:

- + Emailing a spreadsheet containing digital records so the information can be imported into another software product;
- + Transferring a set of digital records onto a portable device (for example, a pen drive, memory stick, flash drive) and physically giving this to someone else who then imports that data into their software;
- + XML, CSV import and export, and download and upload of files;
- + Automated data transfer; and
- + API transfer.

HMRC does not consider the use of '*cut and paste*' or '*copy and paste*' to select and move information, either within a software program or between software programs, to be a digital link.

Choosing your software package

Using the correct software enables VAT returns to be submitted directly to HMRC without needing to visit HMRC's website.

There are two types of software that can be used:

1. VAT record keeping software which lets you update and store your records digitally; and
2. Bridging software that works with non-compatible software including spreadsheets, accounting systems and other digital bookkeeping products.

There are a number of software packages available, and businesses should choose the product that is best suited to their needs.

HMRC has a 'search for software' tool that details a range of record keeping software and bridging software.

Click here to search: [➤](#)

QuickBooks, Sage and Xero all offer MTD compatible software packages. To find out more about each of these software solutions, download our factsheets by clicking on the links below.

QuickBooks: [➤](#) **Sage:** [➤](#) **Xero:** [➤](#)

How to sign up for MTD

Once you have the compatible software in place, you can sign up for MTD for VAT on GOV.UK.

Click here to sign up: [➤](#)

To sign up, you will need your:

- + Government Gateway ID and password;
- + Business email address; and
- + VAT registration number and registered postcode, along with either your registered company number (companies), UTR (partnerships) or NI number (sole traders).

Once you have completed the sign-up process, you should receive an email within 72 hours, confirming that you can submit VAT returns. VAT returns should not be submitted until a confirmation email from HMRC has been received.

When to sign up

If paying by direct debit, HMRC recommend registering for MTD for VAT at least 5 working days after the last non-MTD submission and at least 7 working days before the first MTD submission.

If the submission is not by direct debit, sign-up must be at least 72 hours before the first MTD submission.

Making the switch to MTD VAT submissions within your compatible software

Once you have a compatible software package and HMRC have confirmed that you are signed up for Making Tax Digital, you are ready to activate MTD for VAT in your chosen software.

Take a look at the 'final steps' to take within QuickBooks, Sage and Xero by downloading our factsheets using the links below:

MTD for VAT - the final steps in QuickBooks: [➤](#)

MTD for VAT - the final steps in Sage: [➤](#)

MTD for VAT - the final steps in Xero: [➤](#)

Should you have any queries on the changes to filing VAT returns or need help or advice signing up to MTD for VAT then please either get in touch with your usual M+A Partners contact or email enquiries@mapartners.co.uk and we will be happy to help.



MA Partners LLP

7 The Close Norwich NR1 4DJ

2 Cyprus Court Queens Square Attleborough NR17 2AE

12 Church Street Cromer NR27 9ER

☎ 01603 227600

✉ enquiries@mapartners.co.uk

mapartners.co.uk

[f](#) [t](#) [v](#) [in](#) [mapartnersuk](#)

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