

Making Tax Digital Guide



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Our team of experts have created an MTD guide to help you ensure compliance ahead of the April 2022 deadline.

If you would like more information on MTD for VAT and solutions, or need assistance with your MTD obligations, please contact your [usual Azets advisor](#) or speak to one of our [VAT specialists](#).

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Changes to VAT Making Tax Digital Procedures

April 2022 changes to VAT Making Tax Digital (MTD) Procedures

From 1 April 2022, businesses registered for UK VAT on a voluntary basis are required to comply with MTD procedures.

Our team have pulled together details on who will be affected, what the new procedures are and a step by step guide on how to ensure compliance in time for the deadline.

Who is affected?

VAT-registered businesses, individuals and charities that are registered for VAT on a voluntary basis (typically those with turnover of less than £85,000) **that are not already registered for MTD** will be required to apply and follow the MTD rules from 1 April 2022.

These businesses will be required to keep digital VAT records and use compatible software to submit their VAT returns. Until 31 March 2022 businesses registered on a voluntary basis could voluntarily join the MTD service, however, from 1 April 2022 all VAT registered businesses must complete and submit their VAT returns using compatible MTD software.

What are the VAT MTD rules?

1. Businesses must keep digital records

From 1 April 2022 all UK VAT registered businesses must keep and maintain VAT records digitally in “a compatible software package that allows you to keep digital records and submit VAT Returns” or use “bridging software to connect non-compatible software (like spreadsheets) to HMRC systems”.

This requirement is compulsory for all VAT periods beginning on or after 1 April 2022.

Records included under this requirement include sales and purchase invoices with VAT however accounting records not specific to VAT returns are not included.

The data that must be stored digitally includes:

- your business name, address and VAT registration number
- the VAT accounting schemes you use
- VAT on goods and services you supply (everything you sell, lease, transfer or hire out)
- VAT on goods and services you receive (everything you buy, lease, rent or hire)
- any adjustments you make on a VAT return
- the ‘time of supply’ and ‘value of supply’ for everything you buy and sell
- the rate of VAT charged on goods and services you supply

- reverse-charge transactions – where you record the VAT on both the sale price and the purchase price of goods and services you buy
- total daily gross takings if you use a retail
- items you can recover VAT on if you use the Flat Rate Scheme
- total sales, and the VAT on those sales, if you trade in gold and use the Gold Accounting Scheme

2. Businesses must use digital links to submit VAT returns to HMRC

If more than one software package is used the packages need to be linked digitally. The links can involve:

- using formulas to link cells in spreadsheets
- emailing records
- putting records on a portable device to give to an agent
- importing and exporting XML and CSV files
- downloading and uploading files.

Digital should NOT involve:

- ‘cut and paste’ manual adjustments to move data; and
- any manual adjustments and consolidations of group returns in spreadsheets.

MTD Penalties

MTD for VAT will see the introduction of two new penalty regimes for individuals that make late submissions and make late payments.

These penalties were due to apply from April 2022 but have been delayed until January 2023.

Once MTD for Income Tax (ITSA) starts from April 2024 these penalties will also apply to that as well.

Late Filing Penalties

The late filing penalties are to encourage the regular and timely submission of your required return.

The late submission penalties will be based on a points system. In general, one point is applied for a missed deadline with the points threshold for penalties applying depending on your frequency of submission you are required to make, after a certain number of points a penalty of £200 is applied.

- **Monthly:** Five points are required for the penalty to be applied.
- **Quarterly:** Four points are required.
- **Annual:** Two points are required.

Late Payment Penalties

As well as the late submission penalties HMRC have introduced a new late payment penalty, again based on a points system.

- Up to 15 days after payment was due: no penalty.

- Day 30 after the payment was due: 2% of the amount.
- Day 31 after payment was due: 2% of what was due on day 15, plus 2% of what was due on day 30.
- Day 31 onwards: 4% of the outstanding amount, applied daily.

Until 1 January 2023, the existing penalty regime will remain in place and these are as follows:

Incorrect filing

HMRC currently has the power to charge a penalty of up to £400 for filing a VAT return in the incorrect format. The penalty is based on the turnover of the business.

Annual VAT exclusive turnover	Penalty
£22,800,001 and above	£400
£5,600,001 to £22,800,000	£300
£100,001 to £5,600,000	£200
£100,000 and under	£100

This power has been rarely used but it has been extended to the obligation to file VAT returns using functional compatible software under MTD regulations. It's likely that in the early days HMRC will not penalise clients.

Default surcharge

The default surcharge regime runs in parallel with the incorrect filing penalty regime. Under the default surcharge regime a penalty may be applied for

paying late. The first late payment results in the business being placed within a surcharge period. The subsequent and first late payment within a surcharge period is subject to a surcharge of 2% of the VAT outstanding at the due date. The rate of surcharge then increases progressively to 5%, 10% and 15% for further payment defaults in a surcharge period. Businesses in a surcharge period must pay VAT returns on time for 12 months (or 4 quarters) to exit the surcharge period and reset the clock.

Errors

Penalties can also apply where an error is made on a VAT return. Penalties are based on the net value of the error and the behaviour of the business. The penalty can be up to 100% of the net tax due to HMRC.

If you are affected by this change you must take action now to avoid penalties from HMRC.

There are exemptions from MTD for those that qualify by reason of age, disability, location or religion however specific conditions must be met.

Businesses that do not want to move their financial records to a new MTD compliant accounting package could use Azets MTD for VAT bridging tool. This can be found in our Azets CoZone client portal and can be used to complete and submit VAT returns to HMRC.

If you would like more information on MTD for VAT and solutions, or need assistance with your MTD obligations, please contact your [usual Azets contact](#) or speak to one of [our VAT specialists](#).

Key Dates & Sign-Up Process



Key Dates and sign-up process for Making Tax Digital

Outlined below are key dates for MTD compliance.

MTD Timeline

April 2022	April 2024	April 2025	April 2026
MTD for VAT	MTD for Income Tax Self-Assessment	MTD for Income Tax Self-Assessment	MTD for Corporation Tax
Applies to all VAT-registered businesses	Applies to all self-employed and landlords with gross incomes over £10,000 a year	Applies to general partnerships that earn over £10,000 a year	Earliest expected date for all business to be compliant with MTD for Corporation Tax

When to Sign up

Client Type	Last 'Old Style' VAT period	Last 'Old Style' Due Date	First MTD Period	First MTD Due Date	Onboarding Period			
					Direct Debit Payer		Non-Direct Debit Payer	
					Start Date	End Date	Start Date	End Date
Monthly	March 2022	Saturday, May 07, 2022	April 2022	Tuesday, June 07, 2022	Thursday, May 12, 2022	Tuesday, May 31, 2022	Sunday, May 08, 2022	Saturday, June 04, 2022
Quarterly Stagger 1	QE March 2022	Saturday, May 07, 2022	April - June 2022	Sunday, August 07, 2022	Thursday, May 12, 2022	Sunday, July 31, 2022	Sunday, May 08, 2022	Thursday, August 04, 2022
Quarterly Stagger 2	QE April 2022	Tuesday, June 07, 2022	May - July 2022	Wednesday, September 07, 2022	Sunday, June 12, 2022	Wednesday, August 31, 2022	Wednesday, June 08, 2022	Sunday, September 04, 2022
Quarterly Stagger 3	QE May 2022	Thursday, July 07, 2022	June - August 2022	Friday, October 07, 2022	Tuesday, July 12, 2022	Friday, September 30, 2022	Friday, July 08, 2022	Tuesday, October 04, 2022

If you already pay by Direct Debit do not sign up too close to the date your return is due, or you may pay twice. To avoid this, do not sign up less than:

- 7 days before your return is due (first MTD return)
- 5 days after your previous return was due (Last 'old style' return was due)

Businesses should make sure that their last direct debit has come out of their bank account before signing up.

If you do not pay by Direct Debit, sign up at least 3 days before the return is due.

When do you start using MTD for VAT?

For businesses who file quarterly VAT Returns, these are the likely start dates:

- 1 April 2022: If the previous VAT quarter ended 31 March 2022.
- 1 May 2022: If the previous VAT quarter ended 30 April 2022.
- 1 June 2022: If the previous VAT quarter ended 31 May 2022.

When do you first file VAT Returns using MTD for VAT?

Again assuming quarterly returns, the initial VAT Returns for MTD for VAT must be filed by the following:

- 7 August 2022 for a VAT quarter beginning 1 April 2022.
- 7 September 2022 for a VAT quarter beginning 1 May 2022.
- 7 October 2022 for a VAT quarter beginning 1 June 2022.

You will receive confirmation within 72 hours of registering. **Do not submit a VAT return during this time.**

Before you sign up you must have compatible software.

To sign up you need the below details:

- 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're 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

Sign Up Steps

1. Log on to HMRC online

<https://www.tax.service.gov.uk/vat-through-software/sign-up/are-you-ready-to-submit>

2. Select 'Yes'

Are you ready to submit your next VAT Return using software compatible with Making Tax Digital?

Once you've signed up for Making Tax Digital, you can only send in your VAT Return using software.

If you're not ready to use software yet, you should send your next VAT Return using your usual method.

Yes No

[Continue](#)

3. You will be prompted to consider your current position:

Things you must know and do

This is a new way of keeping your VAT Records and submitting your VAT Returns online by using software which is compatible with HMRC.

Things you must do first:

- get software which connects you to HMRC
- start keeping your VAT Records using this software

[Find out more information about Making Tax Digital for VAT \(opens in a new tab\)](#)

[Continue](#)

Select your current VAT record keeping method:

How do you currently keep your VAT records?

I use accounting software

I use spreadsheets

I use neither

[Continue](#)

Depending on your selection you will be prompted with the following screens:

If using software:

Your existing accounting software must be compatible with HMRC

Check the following first before signing up:

- your software connects with HMRC
- if you use an accountant make sure your software works with their software

[Check if your software is compatible \(opens in a new tab\)](#)

[Sign up](#)

If using spreadsheets:

You'll need bridging software to continue using your spreadsheets

This software connects your spreadsheets to HMRC.

If you:

- do not have this software, get and set it up on your computer
- do have it, check it is compatible and meets your business needs

[Find out how to get and select bridging software \(opens in a new tab\)](#)

[Sign up](#)

If using neither:

You must get compatible software first


Before you sign up you must:

1. Set up compatible accounting software which is best suited to your business needs.
2. Check your chosen software works and connects to HMRC.

[Get more information about software products and companies](#)

Once you have made your selection, select 'Sign up';

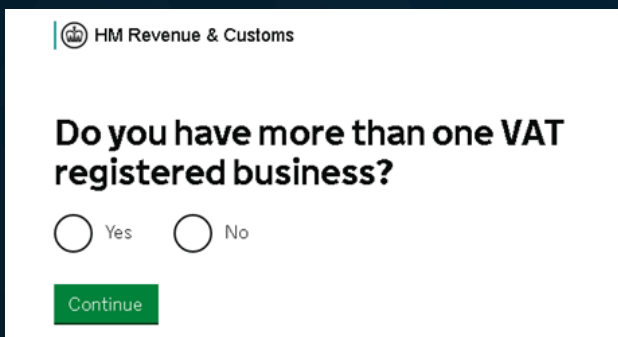
4. Sign in using your existing Government Gateway credentials:



5. Navigate through next screens (if required)

- a. Check your government credentials - confirm
- b. Confirm email address - now or later
- c. Set up recovery for your sign in details - now or later
- d. Enter access code (sends to mobile or email set up to Government Gateway)
- e. Set security back up - now or later

6. Select whether you have more than one VAT business:

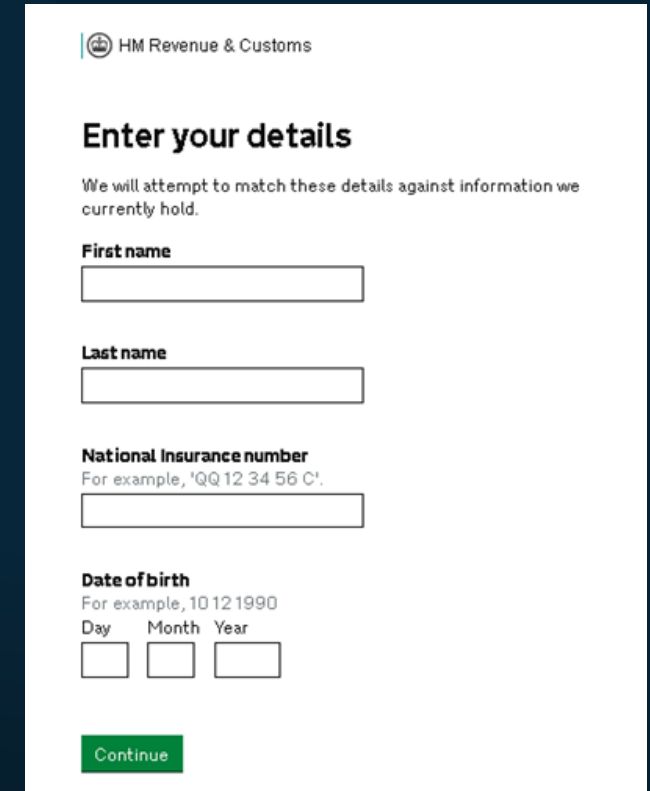


7. Choose your business type from the selection:



8. Depending on your business type you will be required to enter different details, below are the more common selections for Sole Trader, Partnership and Limited Company:

a. If a Sole Trader



b. If a Partnership

HM Revenue & Customs

Does your partnership have a Self Assessment Unique Taxpayer Reference (UTR) number?

This is a 10-digit number. You can find it on letters to the partnership from HMRC.

Yes No

[Continue](#)

c. If a Limited Company

HM Revenue & Customs

What is your company registration number?

You can [search for your company number \(opens in a new window or tab\)](#) on Companies House.

[Continue](#)

9. Navigate through the next screens. Depending on your business selection above you may also require your UTR number for the Individual, Partnership or Company depending on your business type, date of birth and national insurance number.

10. Review submission details and send the application to HMRC

Send your application

By submitting this notification you are confirming that, to the best of your knowledge, the details you are providing are correct.

[Accept and send](#)

11. You will receive an acknowledgement that HMRC have received your information – you will receive confirmation of your sign up within 72 hours of your submission by email.

HM Revenue & Customs

We have received your information

What happens next

We will send you an email within 72 hours to confirm. Do not submit a VAT Return during this time.

1. You must use [software that works with Making Tax Digital for VAT \(opens in a new window or tab\)](#).
2. You must only use the new way of submitting your VAT Return through software with Making Tax Digital for VAT. Do not use the old way of sending your VAT Return.
3. Check that your software is connected to send VAT Returns to HMRC directly. You might need to sign in with your Government Gateway user ID.
4. Use the software to record all your sales and purchases.
5. After April, keep your business details up to date using HMRC services (this is also called business tax account). Do not use the VAT online services.

[Sign out](#)



Cloud Accounting as a solution to MTD



Cloud accounting as a solution to MTD

Cloud accounting, sometimes referred to as online accounting, works in a similar way to desktop accounting software that has been available for over a decade.

The main difference between cloud and desktop packages is that, instead of installing the software on your computer, cloud packages run on remote, secure servers which are accessed using the internet.

Data is securely stored on the cloud, giving you instant access to real time information regarding your accounts which can be accessed and worked on from any location in the world with an internet connection, via any device.

Cloud accounting, through software such as Xero, is a solution to MTD for VAT and one of the main benefits of using it. As well as being a solution to MTD compliance, cloud accounting offers many benefits to businesses also.

What are the benefits of switching to cloud accounting?

Switching to cloud accounting can benefit businesses in a vast number of ways.

MTD Compliance

As mentioned, one of the main benefits of using cloud accounting software is that it complies with MTD for VAT helping businesses ensure compliance and avoid penalties. This will also ensure future compliance against further changes to MTD for Income Tax (2024) and Corporation Tax (expected 2026).

Ease of use

Your team at Azets will guide you through the process of choosing and installing the best online software for your business.

We will make the data transfer as automated as possible and provide you with training on how to use your new software so you can reap the benefits from it as quickly as possible.

Time saving

Cloud accounting brings with it new working practices aimed at reducing the time associated with data inputting. Most of the cloud packages include features such as bank feeds that automate postings into the software from entries on your electronic bank statements and the ability to upload scanned images of receipts and supplier invoices.

There are also a number of innovative add-ons available, such as Dext, which converts key information from receipts and invoices into data that is automatically posted into your software

More informed decision-making

One of the main benefits of cloud accounting software is the flexibility it provides, allowing you time to focus on your business, wherever in the world you may be.

You can be confident that you have an up-to-date picture of your financial data – allowing you to make more informed decisions regarding your business operations.

Azets' team of trusted business advisors can also spend time working and reviewing the data with you to help grow your business and help inform future business strategy plans.

Flexibility

Multiple users can login to cloud accounting software at the same time, from different locations, providing they have a working internet connection. The ease of access provided by cloud accounting software is an extremely valuable feature allowing both you and your Azets advisor to see the same information at any point in time.

Enhanced data security

Cloud accounting is more secure than traditional accounting methods as there is no requirement to transfer data between your business and your accountant. Most cloud accounting providers take great measures to ensure your data is safe, including backup power supplies, firewalls, data encryption software and regular, third-party security audits. Furthermore, the online software provides an improved, more efficient service, with speedy processing of data.

Requires minimal IT support

Your cloud service provider will do much of the required IT maintenance, such as the backing up of your data and installing software updates. This in turn reduces the need for on premise servers, infrastructure updates and internal IT support.

Outsourcing

We can take on all your time-consuming book-keeping, accounting and payroll duties using cloud-based software specially curated for you.

As platinum partners for all leading cloud software solution providers in the UK, we offer multiple cloud-based solutions from our partners, as well as desktop based Making Tax Digital (MTD) compliant solutions. We can tailor a solution to fit the needs of you and your business. Our local teams of trusted business advisors are trained to find the right solution for you.

For more information or to discuss a comprehensive cloud solution that will deliver MTD compliance and the best possible results [contact a member of our team today.](#)



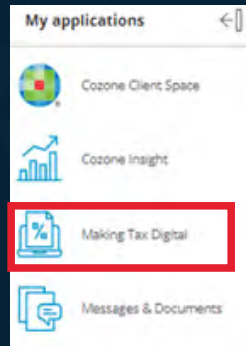


MTD Bridging Guide

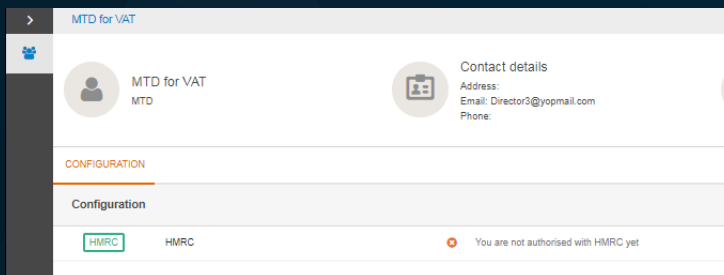
Authorise Azets CoZone with HMRC

Azets CoZone must first be authorised with HMRC

1. After logging into your Azets CoZone workspace, click the 'Making Tax Digital' tile



2. Click 'Authorise'

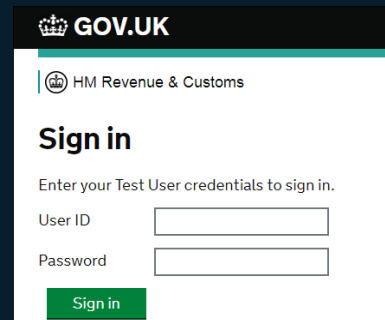


3. The page is redirected to the HMRC website

4. Click 'Continue'

Continue

5. Enter your HMRC User ID and password



6. Click 'Sign In'

7. Click 'Grant authority'

Grant authority

Note: your credentials used to sign into HMRC's page, in order to grant authority for Azets CoZone with HMRC must be your government gateway ID that HMRC require all businesses to create.

These will be used to use all the API based services that HMRC provide.

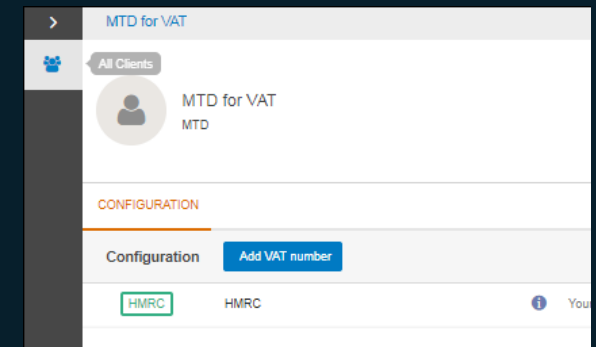
The authorisation with HMRC is expected to last for an 18 month period, so should not need to be repeated frequently

Confirmation email

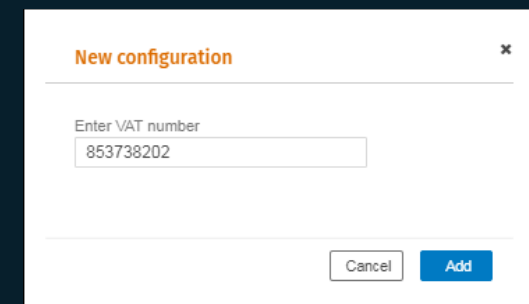
8. Once you have signed up to MTD for VAT, HMRC may take up to 72 hours to send a confirmation email.

Do not try to enter your VAT registration number until you have received this email otherwise it will fail

9. Once you have received the confirmation email from HMRC, it's now time to enter your VAT number by clicking 'Add VAT number'



10. Add your VAT number

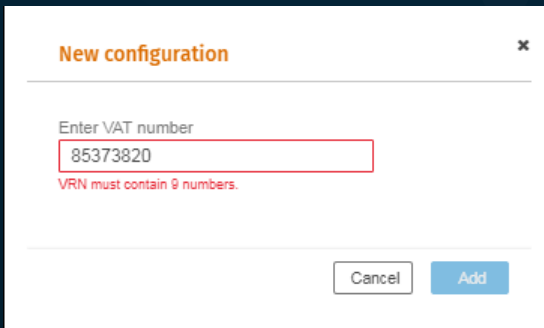


11. Validation is then applied to check that:

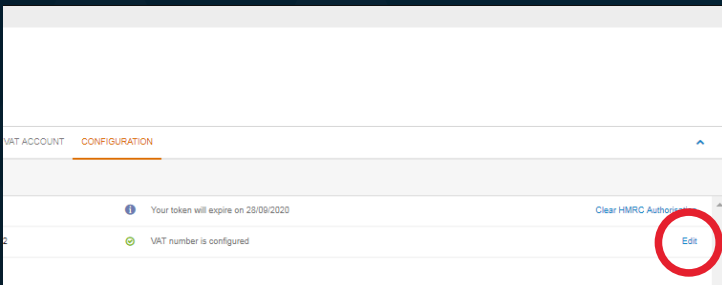
- Your business has subscribed to Making Tax Digital for VAT. If not, the error below is shown
- If the VAT Number does not contain the correct number of digits a validation message will be displayed



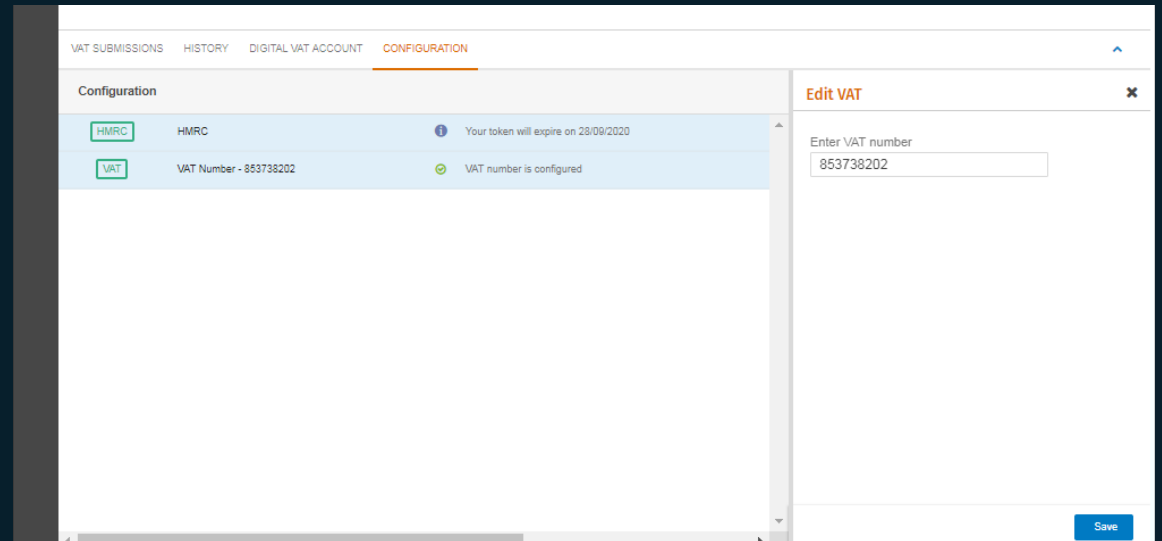
12. Click 'Add'



13. If you need to edit the VAT number click 'Edit'



- Click 'save'

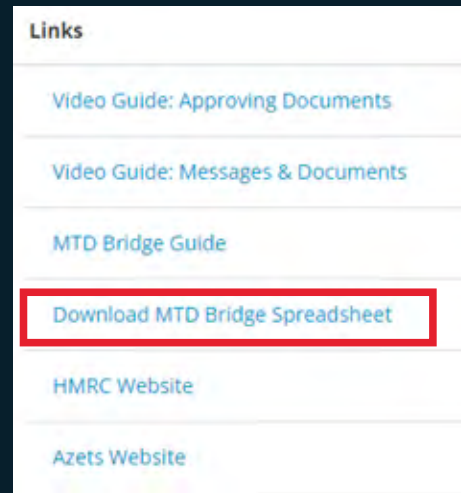


Preparing your VAT Return for submission

1. Download the 'MTD Bridge Spreadsheet' from the Azets CoZone homepage

2. Once downloaded open and save the spreadsheet template to your own specific VAT folder

3. Insert additional tabs on the MTD Bridge Spreadsheet (this will depend on how many tabs your current VAT bookkeeping spreadsheet or non-compliant MTD software export has) for example, you may require two additional tabs, one for Sales and one for Expenses. You do this by clicking on the + button, and adding two tabs and renaming them according to your current spreadsheet i.e. Sales and Expenses



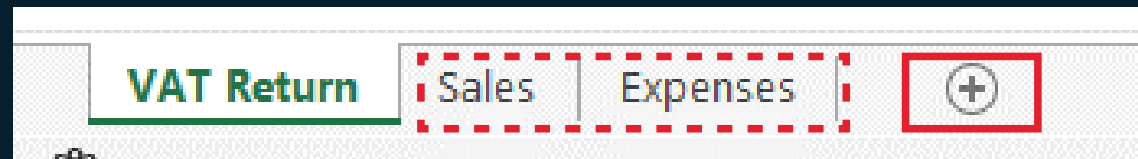
The screenshot shows the VAT Return form for 'Demo Company (UK)' for April 2018. The form includes the following details:

VAT Return Details	
Registration Number	GB 123456789
VAT Scheme	Cash Scheme
Period covered by the return	Monthly
From	01/04/2018
To	30/04/2018
The deadline for submitting this return online is 07/06/2018	

VAT Calculations	
VAT due this period on sales and other outputs	1
VAT due in this period on acquisitions from other EC Member States	2
Total VAT due (the sum of boxes 1 and 2)	3
VAT reclaimed in this period on purchases and other inputs (including acquisitions from EC)	4
VAT to Pay Customs	5

Sales and Purchases Excluding VAT	
Total value of sales and all other outputs excluding VAT (including supplies to EC)	6
Total value of purchases and all other inputs excluding VAT (including acquisitions from EC)	7

EC Supplies and Purchases Excluding VAT	
Total value of all supplies of goods, excluding any VAT, to other EC Member States	8
Total value of all acquisitions of goods, excluding any VAT, from EC Member States	9



4. Open your VAT bookkeeping spreadsheet or non-compliant MTD software Excel export as you will need to copy the relevant details across onto the MTD Bridge Spreadsheet

5. You will then need to copy and paste the underlying spreadsheet data into your new tabs on the MTD Bridge Spreadsheet

Note: if you copy the other way, i.e. copy the VAT Return from the MTD Bridge Spreadsheet into your existing document/export then you will lose the 9 box mapping so always copy data into the MTD Bridge Spreadsheet, not the other way around.

6. Once copied across, in order to populate boxes 1 to 9 on the VAT Return tab, you will need to link each relevant total from the underlying data tabs using the = function and totalling all relevant figures required for each box

For example, Box1 VAT due this period on sales and other outputs you will need to bring across the total of all VAT on sales from your Sales data tab. This would look something like =Sales!E8 or if multiple totals were required then you would also need to continue the formula to include the additional totals in Box1 e.g. Sales!E8+Sales!E50

7. Once you have copied the relevant underlying totals onto your VAT Return tab, your 9 boxes of the VAT return should be populated as shown below . Please also remember to update the VAT period and VAT Return details for each return you submit

AZETS		VAT Return	
		Demo Company (UK)	
		For June 2022	
VAT Return Details			
Registration Number		GB 123456789	
VAT Scheme		Cash Scheme	
Period covered by the return		Monthly	
From		01/04/2022	
To		30/06/2022	
The deadline for submitting this return online is		07/08/2022	
VAT Calculations			
VAT due this period on sales and other outputs	1	£30,000.00	
VAT due in this period on acquisitions from other EC Member States	2	£0.00	
Total VAT due (the sum of boxes 1 and 2)	3	£30,000.00	
VAT reclaimed in this period on purchases and other inputs (including acquisitions from EC)	4	£7,000.00	
VAT to Pay Customs	5	£23,000.00	
Sales and Purchases Excluding VAT			
Total value of sales and all other outputs excluding VAT (including supplies to EC)	6	£150,000.00	
Total value of purchases and all other inputs excluding VAT (including acquisitions from EC)	7	£35,000.00	
EC Supplies and Purchases Excluding VAT			
Total value of all supplies of goods, excluding any VAT, to other EC Member States	8	£0.00	
Total value of all acquisitions of goods, excluding any VAT, from EC Member States	9	£0.00	

8. Before saving and progressing to submit your VAT Return please check that the totals in boxes 1 to 9 of the VAT Return are showing the expected VAT position and that the liability/repayment are as expected.

Please also check the MTD tagging has not been lost or corrupted as the VAT Return will not file through the bridging software if these tags are not present. Please select one of the VAT return box totals in boxes 1 to 9 and at the top left of the ribbon you should see a tagging reference such as VATB1, VATB2 etc. If this is not the case then please refer to the tagging instructions in the next section.

9. Once you are happy with the checks and the VAT Return is as expected and the tagging data is in all 9 boxes in column C please save the document to a preferred location ready to locate and upload via Azets Cozone.



Tagging the Excel Spreadsheet

Should you have had any issues with the tagging fields previously covered when preparing your VAT Return for submission, or have completed the steps incorrectly which means that your tagging details are not showing on the VAT Return tab, you will need to apply the relevant tags to the 9 boxes in column C as follows:

1. We are using the Excel Name function to tag the VAT information to allow it to be imported
2. Excel name function is used to rename a cell from C15 to a set name that will allow the software to read the data
3. To apply the tags to the above example, Click 'Cell C15'
4. Select Formulas>Name Manager>New
5. Name = VATB1
6. Repeat the process for the other 8 VAT box cells

VAT Return Details	
Registration Number	GB 123456789
VAT Scheme	Cash Scheme
Period covered by the return	Monthly
From	01/04/2022
To	30/06/2022
The deadline for submitting this return online is	07/08/2022

VAT Calculations	
VAT due this period on sales and other outputs	1 £30,000.00
VAT due in this period on acquisitions from other EC Member States	2 £0.00
Total VAT due (the sum of boxes 1 and 2)	3 £30,000.00
VAT reclaimed in this period on purchases and other inputs (including acquisitions from EC)	4 £7,000.00
VAT to Pay Customs	5 £23,000.00

Sales and Purchases Excluding VAT	
Total value of sales and all other outputs excluding VAT (including supplies to EC)	6 £150,000.00
Total value of purchases and all other inputs excluding VAT (including acquisitions from EC)	7 £35,000.00

EC Supplies and Purchases Excluding VAT	
Total value of all supplies of goods, excluding any VAT, to other EC Member States	8 £0.00
Total value of all acquisitions of goods, excluding any VAT, from EC Member States	9 £0.00

New Name

Name: VATB1

Scope: Workbook

Comment:

Refers to: =VAT Return!\$C\$15

OK Cancel

Name Manager

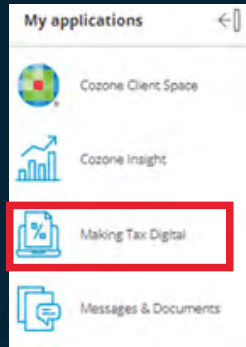
Name	Value	Refers To	Scope	Comment
VATB1	£30,000.00	=VAT Return!\$C\$15	Workbook	
VATB2	£0.00	=VAT Return!\$C\$16	Workbook	
VATB3	£199.80	=VAT Return!\$C\$17	Workbook	
VATB4	£90.00	=VAT Return!\$C\$18	Workbook	
VATB5	£103.80	=VAT Return!\$C\$19	Workbook	
VATB6	£969.00	=VAT Return!\$C\$22	Workbook	
VATB7	£450.00	=VAT Return!\$C\$23	Workbook	
VATB8	£0.00	=VAT Return!\$C\$26	Workbook	
VATB9	£0.00	=VAT Return!\$C\$27	Workbook	

Refers to: =VAT Return!\$C\$15

Close

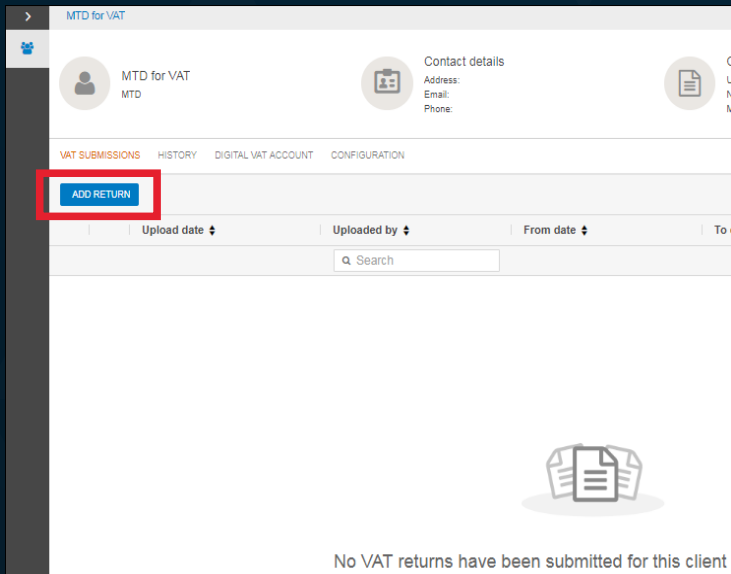
Submitting a Return to HMRC

1. Click the Making Tax Digital tile

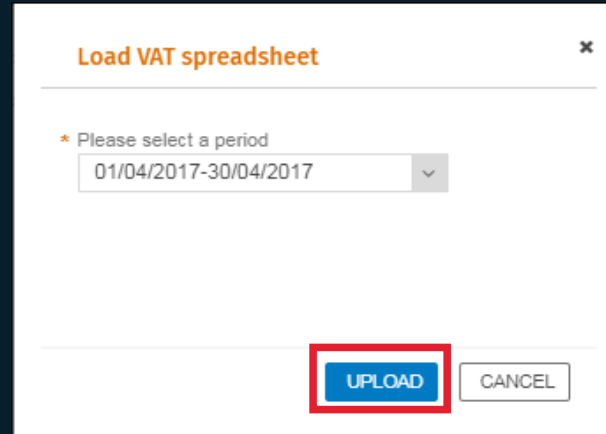


2. Default to the VAT submissions tab

3. Click 'add return'

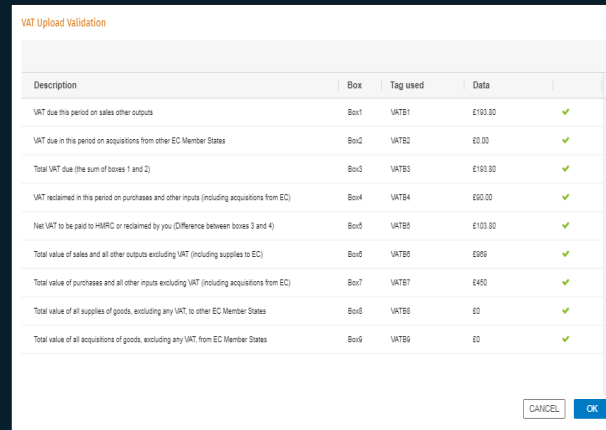


4. The date is automatically pre populated based on the obligations issued from HMRC



5. Click 'UPLOAD'

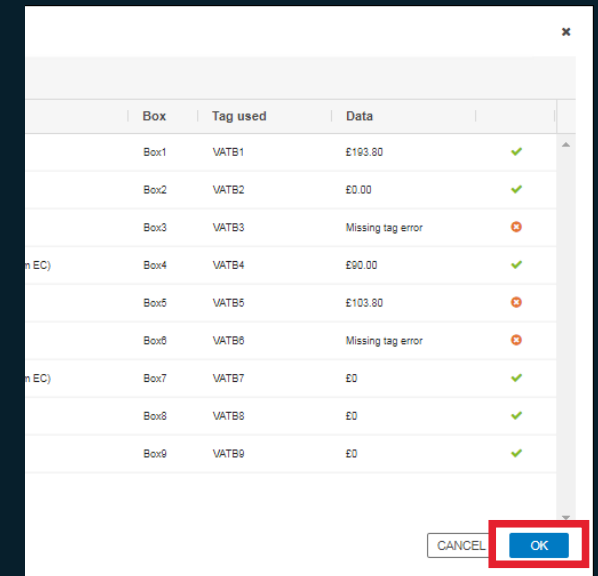
6. Browse to the location of the spreadsheet, then select open and the validation screen will appear



Please note: the obligation date in this example is for demonstration purposes only.

Note: Validation is then applied such as: are all the nine tags found, are any of the tags duplicated, are the tagged amounts consistent with HMRC's requirements and do the amounts tagged pass arithmetic tests?

7. Click 'OK'



Note: If the Validation has not passed, check the naming convention of the tags.

8. To delete the return if in error, click the trash icon

Contact details
Address:
Email:
Phone:

Other details
UTR No:
NI No:
Manager: Callum Craig

ACCOUNT CONFIGURATION

1-1 of 1 << >>

Uploaded by	From date	To date	HMRC Status	
Director1@yopmail.com	01/04/2017	30/04/2017	Not submitted	

9. If okay to file, Click 'SEND TO HMRC'

or VAT

Contact details
Address:
Email:
Phone:

Other details
UTR No:
NI No:
Manager: Callum Craig

04/2017 >

Period on sales other outputs	Box1	£103.00
Period on acquisitions from other EC Member States	Box2	£0.00
The sum of boxes 1 and 2)	Box3	£103.00
In this period on purchases and other inputs (including acquisit...	Box4	£00.00
aid to HMRC or reclaimed by you (Difference between boxes ...	Box5	£103.00
cluding VAT		
ales and all other outputs excluding VAT (including supplies to ...	Box6	£969
urchases and all other inputs excluding VAT (including acquisit...	Box7	£450
es Excluding VAT		
supplies of goods, excluding any VAT, to other EC Member ...	Box8	£0
acquisitions of goods, excluding any VAT, from EC Member ...	Box9	£0

Export to PDF SEND TO HMRC

10. Click yes or no on the Declaration

11. If yes is selected the following message is displayed
“submission Successful”

Please Note: If no is selected the VAT return is not submitted.

The screenshot displays the HMRC MTD for VAT interface. At the top, there are three sections: 'MTD for VAT' (with a user icon), 'Contact details' (with a calendar icon), and 'Other details' (with a document icon). Below these is a 'VAT SUBMISSION' section with a 'Show all VAT Submissions' link and a date range selector for '01/04/2017 - 30/04/2017'. A 'VAT Calculations' table is visible on the right side of the screen. A modal window titled 'Declaration' is overlaid on the screen, containing the following text: 'When you submit this VAT information you are making a legal declaration that the information is true and complete. A false declaration can result in prosecution. Do you wish to continue?'. At the bottom of the modal are two buttons: 'Yes' and 'NO'. The background table shows VAT calculations with values such as £193.00, £0.00, £193.00, £00.00, £193.00, £000, £400, £0, and £0.

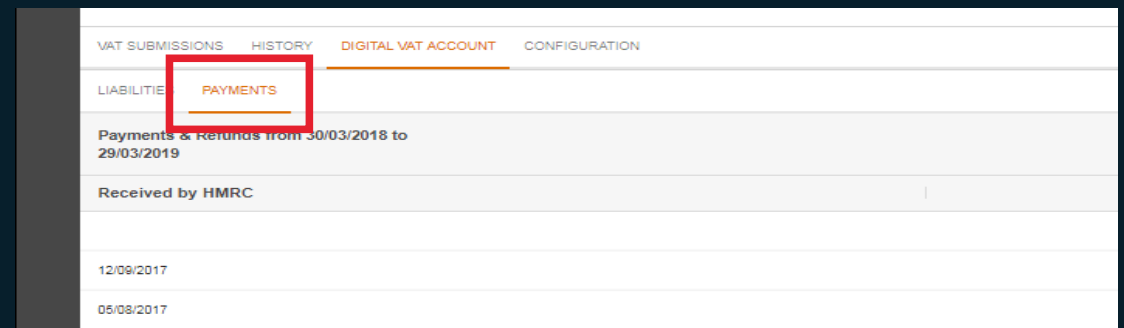
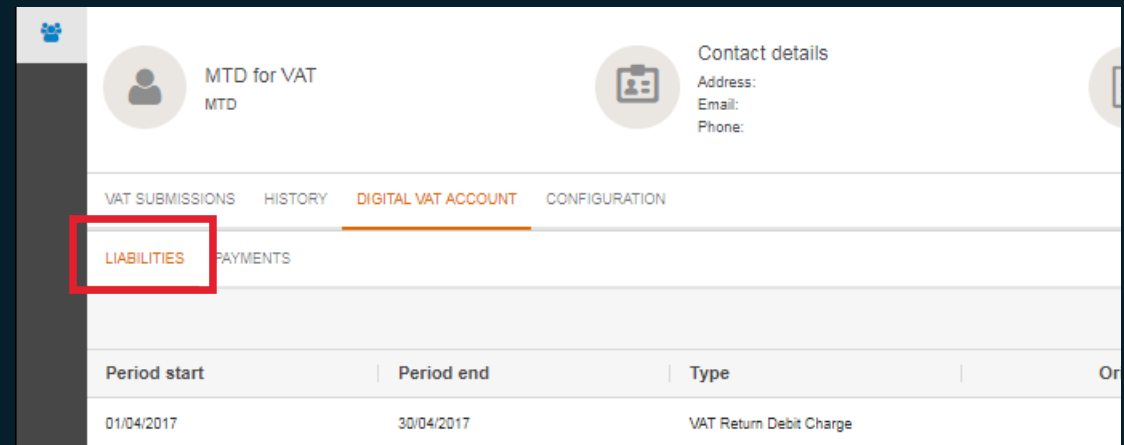
VAT Calculations	
	£193.00
	£0.00
	£193.00
	£00.00
	£193.00
	£000
	£400
	£0
	£0

Digital VAT Account and History Tab

Once you have submitted your VAT returns through Azets CoZone you will have access to your digital VAT account and filing history which you can access as follows:

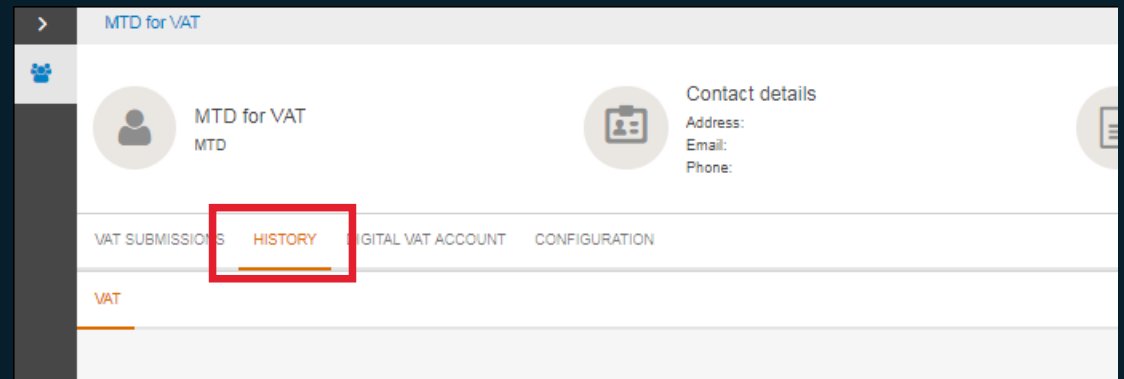
1. Click the Digital VAT Account tab to display information on liabilities returned by HMRC

Note: The first time you submit a VAT return, there may be a slight delay in the Digital VAT Account being updated, please check again after one hour.



2. The history tab will display all submissions made to HMRC

Please note: Until a VAT submission is made or a payment made for a liability under MTD for VAT, the payments and liabilities tabs will not return any data. This is because only data relating to MTD for VAT can be shown, meaning liabilities and payments prior to MTD for VAT cannot be shown.



FAQs

FAQs

What is Making Tax Digital for VAT?

Making Tax Digital for VAT requires VAT registered businesses to maintain and submit their VAT records digitally with HMRC.

- Keeping and maintaining your VAT accounting records
- Creating VAT Returns
- Sending the VAT Returns to HMRC

It means you can no longer submit VAT Returns via the HMRC website. You'll need to use compatible software instead.

Is Making Tax Digital for VAT compulsory?

VAT registered businesses with turnover above the £85,000 registration threshold have been required to comply with MTD.

From 1 April 2022, MTD for VAT is also a legal requirement for all VAT-registered businesses—regardless of turnover.

Is Making Tax Digital only for VAT?

No. MTD for Income Tax (ITSA) will be introduced in April 2024, and MTD for Corporation Tax will be introduced no earlier than April 2026 (although this date has yet to be confirmed by the Government).

What are the benefits of Making Tax Digital?

Research from HMRC on MTD for VAT shows existing participants feel more confident about filing their returns since the rules were introduced.

Benefits of MTD include:

- Fewer reporting errors
- Less time spent on paperwork
- Reliable record-keeping
- Faster returns filing

Along with time savings, one of the key benefits of MTD is improved accuracy. Manual processes can be automated through software, so transactions are imported correctly, and errors are automatically identified. This means business owners can spend less time on paperwork and more time focusing on driving success.

What is the best software for Making Tax Digital?

The best software for MTD will have an MTD for VAT feature that allows you to file your return directly through the platform, along with additional features to help you run your business and manage your finances. Your Azets advisor can assist you with your software requirements. You can still use a spreadsheet for recordkeeping, but you must use bridging software that connects it to HMRC's system. The Azets MTD for VAT bridging tool in our Azets CoZone client portal can be used to complete and submit VAT returns to HMRC and is compliant with the new rules.

What records do businesses need to keep digitally?

MTD for VAT requires you to keep some records digitally:

- your business name, address and VAT registration number
- the VAT accounting schemes you use
- VAT on goods and services you supply (everything you sell, lease, transfer or hire out)
- VAT on goods and services you receive (everything you buy, lease, rent or hire)
- any adjustments you make on a VAT return
- the 'time of supply' and 'value of supply' for everything you buy and sell
- the rate of VAT charged on goods and services you supply
- reverse-charge transactions – where you record the VAT on both the sale price and the purchase price of goods and services you buy
- total daily gross takings if you use a retail scheme
- items you can recover VAT on if you use the Flat Rate Scheme
- total sales, and the VAT on those sales, if you trade in gold and use the Gold Accounting Scheme

Some businesses will need to keep more or less information depending on their VAT scheme and circumstances.

Can I opt out of Making Tax Digital?

It has previously been possible to opt out of MTD for VAT if you registered voluntarily. However, as MTD for VAT is mandatory from April 2022, all VAT-registered businesses must comply, unless they are exempt.

Who is exempt from MTD for VAT?

If you can't use computers, software, or the internet, you can ask HMRC to digitally exempt your business.

Reasons could include:

- Age, disability, or remote location
- Religious grounds that stop you from using computers
- Any other reasons why using MTD for VAT isn't practical

You or your accountant will need to call or write to HMRC to ask them to grant you digital exemption.

You're also exempt from MTD for VAT if your business is subject to an insolvency procedure.

If I am exempt, how do I file my VAT Returns?

If you're digitally exempt, then you might be able to file a paper VAT Return but only at HMRC's discretion.

You or your accountant should contact HMRC to request this option.

Alternatively, your accountant can prepare and file your VAT returns for you in an MTD compliant way.

What happens if I don't comply with MTD?

If you don't comply with the rules, you could face a penalty.

From January 2023, HMRC is moving to a points-based system so that MTD for VAT penalties are only given to those who regularly make mistakes and miss deadlines. The new system means taxpayers who make the occasional error will not be penalised.

What was the soft-landing period?

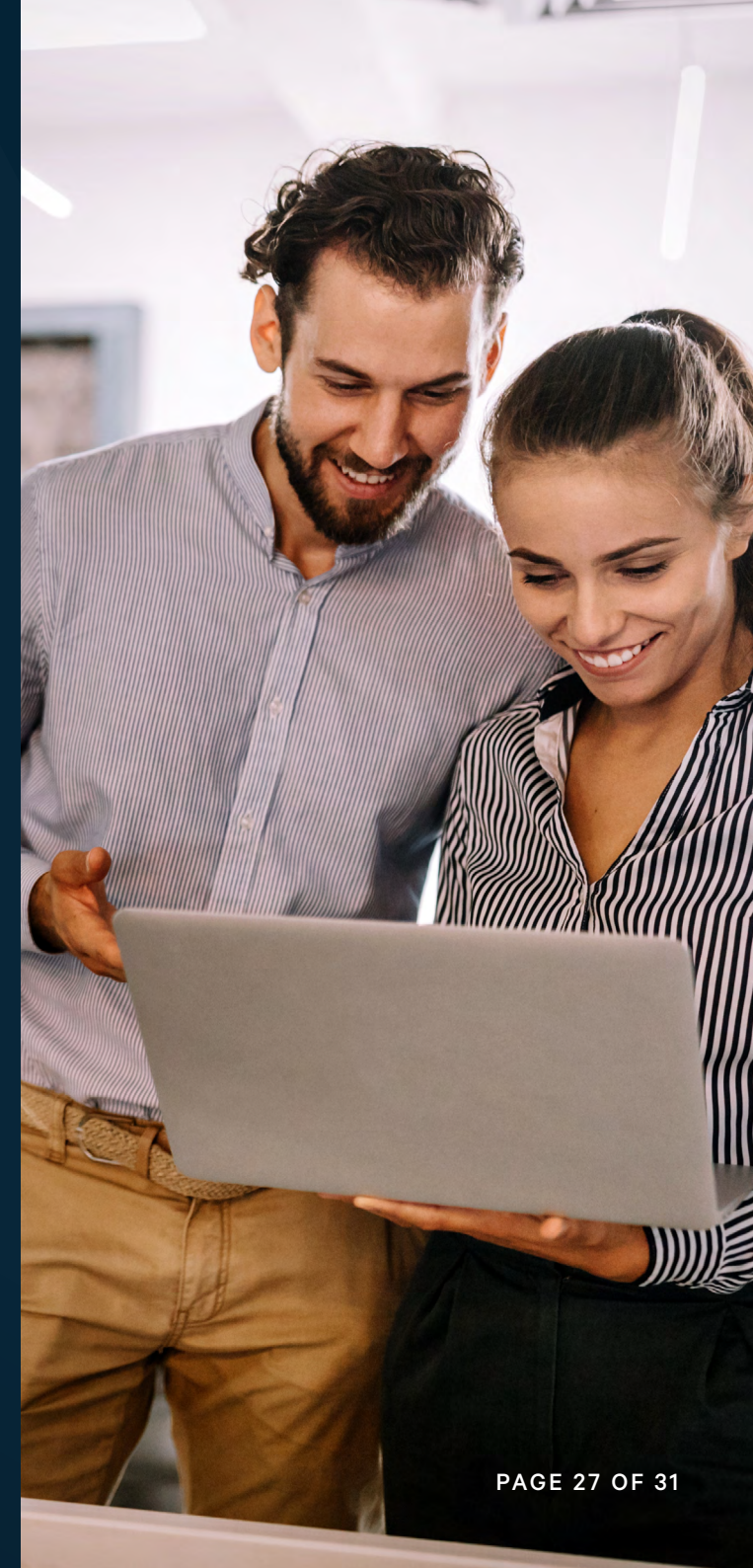
When MTD for VAT started in April 2019, HMRC gave businesses a soft-landing period, allowing them to continue copying and pasting data for their VAT accounting without penalties until April 2020. Ordinarily, this was prohibited because of MTD's digital linking rules.

At the beginning of the coronavirus pandemic, HMRC decided to extend the soft-landing period to April 2021. On 13 January 2022, HMRC announced that the new penalty and interest rules for VAT will be introduced in January 2023 rather than April 2022.

Therefore, any business switching to MTD for VAT needs to ensure digital links are used throughout their VAT accounting in advance of this date.

There are strict rules on what defines a digital link for MTD. According to HMRC, they have two characteristics:

- Data is transferred electronically between software programs, products, or applications. This could include linked cells in a spreadsheet, such as a formula.
- The transfer is automated. It doesn't need manual intervention such as copying over the data by hand or manually moving data between two or more pieces of software. But you can click a button to initiate the process.



What should you be doing to prepare for MTD for VAT?

The critical difference between MTD for VAT and how you may have been filing VAT Returns before is that you must now use compliant software for your VAT accounting and file VAT Returns using software.

If you aren't using cloud accounting software or are using older software (or even no software at all), you will need to plan an upgrade path to be ready in time for your first full VAT period after 1 April 2022.

How do I register for MTD for VAT?

If you're VAT-registered, then you can register for MTD for VAT at any time. This is true even if your business isn't yet legally required to register for VAT until April 2022.

MTD enrolment is automatic if you're signing up for VAT for the first time.

However, if you're voluntarily registered for VAT, the latest you must register for MTD for VAT is before the end of your first full VAT period following April 2022.

To avoid issues with previous VAT Return payments if using direct debit, you must not sign up less than:

- Seven days before your first MTD VAT Return is due
- Five days after your first MTD VAT Return is due.

If you don't pay by direct debit, you must sign-up at least three days before your VAT Return.

If you're already registered for VAT, your business won't be enrolled automatically for MTD.

The registration process involves logging in with the Government Gateway account for your business. You might have used this previously when filing VAT Returns via the portal website.

Note that once you're registered for MTD for VAT, you will probably need to activate the MTD functionality in the software.

What information needs to be submitted?

To register for MTD for VAT with HMRC, you'll need to input the following information when requested upon visiting the MTD for VAT registration website:

- Your Government Gateway ID and password
- Your company's VAT number (which you'll find on your VAT registration certificate)
- The date your business became VAT registered (again, found on your VAT registration certificate)
- The postcode of the principal place of business (the place where your company carries out most of its business activities and/or keeps its financial and business records)
- The Box 5 amount from your most recent VAT Return, which is to say, the amount of your last VAT Return
- The month you submitted your most recent VAT Return

You will need to inform HMRC during registration which MTD-compatible software you're using for your VAT accounting, so you will need to make this decision ahead of time.

How do I submit a MTD for VAT Return?

Once you've registered, when your VAT Return date comes around, you'll need to file it via the accounting software your business uses, or potentially using bridging software if you calculate your VAT without the benefit of accounting software (e.g. using a spreadsheet).

Who can file the MTD for VAT Return?

You can file the VAT Return, or your accountant can do so on your behalf.

They will use their HMRC Agent Services account to do this and will need to register on your behalf with HMRC, so you should discuss this with your accountant well ahead of time.

Checklist

Detailed below are actions required to ensure compliance with MTD for VAT by April 2022.

■ **1. Work out when to register for MTD**

We would advise businesses who are impacted by the deadline register as soon as possible as it allows time to ensure the registration and software set up can be completed in time.

■ **2. Get MTD compliant software**

Using software for digital record keeping and submission under MTD is a key component and makes the process a lot easier. If you use cloud accounting software (Azets can recommend compatible software solutions for your business) then these will most likely be ready to go, however, if you do not use cloud software you can use bridging solutions such as our Azets CoZone bridging tool in order to make your submissions.

■ **3. Work out your first MTD filing period**

You need to sign up in advance of the first VAT period commencing on or following the 1 April 2022. There are key timings to consider around whether you pay by Direct Debit also – please see the section in this guide on ‘Key Dates’ or speak to your advisor for details.

■ **4. Understand what needs to be done differently in your business**

For some it may be a whole new system and process to get used to, for others it may only be a small change, but either way there are benefits to taking time to understand what other benefits within your business can be derived from going digital, e.g. moving away from paper invoicing and receipts, creating budgets or more insightful reports for example.

■ **5. Digitally link your systems**

If using cloud software this should be in place already, but if using multiple systems or processes to collate data you will need to ensure that they are digitally linked for MTD submission. This means no rekeying of data or manual intervention such as copy and paste.

■ **6. Speak to your Accountant**

If you are unsure on the processes or requirements under MTD for VAT then please speak to [your usual Azets advisor](#) or [contact us](#).

Top tip – Take this opportunity to prepare for the further changes to MTD for both Income Tax and Corporation Taxes and future proof your business by choosing the right software and processes at this stage.



How we can help

For more information on Making Tax Digital and how to ensure compliance and avoid penalties, speak to [your usual Azets advisor](#) or:



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Contact us