Update on Making Tax Digital

As most of you will already know, from the 1st April the Government's Making Tax Digital (MTD) initiative will require all VAT registered businesses with a turnover in excess of the VAT threshold (currently £85,000) to keep all VAT records digitally and to file VAT returns electronically using a recognised software package. By "recognised software package" HMRC mean one they have inspected and recognise as working satisfactorily. Since October 2018 there has been a Public Beta Test where businesses could volunteer to join MTD early and quite literally test the system. This has resulted in some confusion where many suppliers have been advertising and selling software on the basis it works in the Beta Test.

The whole ethos of the Making Tax Digital project is that data is only ever entered once. Bills issued and Purchase invoices are entered into your software package which does all the vat processing and record keeping before sending the relevant VAT return information to HMRC in a deliberate, user-controlled, submission. For the first 12 months, i.e. until April 2020, HMRC have granted a dispensation to allow what they are calling "Bridging Software". This is software that will import VAT data from an existing software package and do the 'sending it to HMRC' part.

Blue Tuesday software has satisfied most of the requirements of MTD since its inception and has been keeping all VAT records digitally since the day it was installed. We have just been missing the part that sends the VAT return direct to HMRC. It has been a deliberate decision on our part to leave this final bit of code until close to the deadline because, as with most Government IT projects, their specifications have been regularly changing (three times last week, for example) and we don't like writing things two, three, four and more times. Even at this late stage the specification we have, and to which we have written our software, is likely to change due to Brexit and the resultant changes in how goods to and from the EU are documented.

However, as of yesterday morning (6th March 2019), the Blue Tuesday Software has been demonstrated to HMRC and they are happy that it satisfies the criteria necessary to become 'Recognised' and allowed to file live VAT returns. Within the next few days we should receive the identification details necessary to do so.

We then have to file a genuine VAT return, our own is HMRC's recommendation, and we will then be ready to release the final bit of our MTD Vat software. HMRC are also sending us details on what our clients will need to do in order to register for MTD, and we will keep you posted on this.

At this stage, in spite of what many software vendors and accountants are saying, there is no need to panic. VAT quarters starting prior to 1st April <u>must</u> be submitted in the old way only. The new requirement is to file the VAT Return for your first VAT period commencing on or after April 1st using MTD. For regular quarterly VAT reporting that means, at the earliest, you will need to file the return for the VAT quarter 1st April to 30th June using MTD software. That is 1st July at the very earliest.

We are currently on course to install it as part of the next update later this month. If anybody is on monthly VAT returns, please let us know so we can ensure to update you first.

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