



MAKING TAX DIGITAL (MTD FOR VAT) – MORE CHANGES COMING IN APRIL 2022 !!

WHAT IS 'MAKING TAX DIGITAL' (MTD) ?

- The most significant development which has been driven by HMRC in recent years is the introduction of the **'Making Tax Digital'** (MTD) programme, which to date relates only to VAT – **with other business taxes e.g. Income tax and Corporation tax etc., to follow in due course !**
- This MTD programme is a key part of the Government's plan to move to a fully digital tax system, and at the same time is designed to help businesses eliminate common errors, while saving time managing their VAT affairs.
- It is also, of course, aimed at reducing VAT losses and ensuring more tax revenue is received by HMRC !
- Until 2022, the MTD requirements have only been applicable to VAT registered businesses with turnover over £85,000 **ONLY**, however despite that, almost a third of such businesses have in practice already voluntarily signed up to **MTD for VAT**.

WHAT IS CHANGING FROM 1ST APRIL 2022?

- As and from **1st April 2022**, **ALL** VAT registered businesses will be required to have signed up to MTD for their **FIRST VAT return starting on or after that date**. Any VAT registered businesses that fail to sign up under the MTD regime will be subject to penalty(ies) for the failure to do so !!
- However, at this point and with more than 2 years of experience in using MTD for VAT with many of our own Clients, it could actually be considered a competitive **disadvantage** for a business **NOT** to follow the MTD regime – **in addition to it being a legal requirement in any case**.
- Given that it requires businesses to move away from excel and/or any manual accounting system, to a system based on the use of Xero and/or Quickbooks etc. for their **'day to day'** bookkeeping, this is precisely what we would advise clients to do in any case

WHAT IS REQUIRED TO ACTION A SIGN UP FOR MTD FOR VAT

- Under the MTD for VAT regime, VAT registered businesses are required to -
 1. submit their quarterly VAT returns directly to HMRC using their accountancy software **ONLY** e.g. Xero or Quickbooks.
 2. a new HMRC **'Making Tax Digital'** account **MUST** be created **AND**
 3. this online account will be linked directly with Xero to Quickbooks – **to allow the VAT returns to be submitted !**
 4. ensure that your Accountant has been appointed as Agent under the **MTD** scheme (where this is applicable)



- Businesses taking action to sign up in April 2022 (for a March 2022 quarter business) can only sign up either
 - at least **five days after** their last non-MTD VAT return deadline date e.g. **12th May 2022**, or
 - **no less than seven days** before the first MTD VAT return deadline date e.g. **1st August 2022**.
- Accountants (including Sakura) are able to simplify the process for their Clients and can sign them up directly for the MTD regime – **once they are the VAT Agent with HMRC for those clients in the first place !**
- **MTD for VAT – Required ‘Sign Up’ 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
- **MTD for VAT – Return Submission Deadlines**
 - **7 August 2022** - 1 April 2022 VAT quarter
 - **7 September 2022** – 1 May VAT quarter
 - **7 October 2022** – 1 June 2022 VAT quarter

WHAT HAPPENS NEXT FOR MTD ??

- HMRC have already announced that further implementation of the MTD programme will result in -
 1. sole traders and landlords being required to sign up for **MTD for Income tax from April 2024** and
 2. limited companies required to sign up for **MTD for Corporation tax from April 2026 !**

Feel free to contact the Sakura Team if you want additional advice or support with MTD for VAT or if you are having problems with your VAT settings/VAT reports in Xero or Quickbooks accountancy software.

Contact us on 0207 952 1230 or info@sakurabusiness.co.uk