

Making Tax Digital for VAT - GP Practices

VAT is the front-runner in HMRC's plans for the rollout of Making Tax Digital (MTD), with MTD for VAT (MTDfV) reporting due to commence in April 2019, ahead of reporting for other taxes. Digital reporting is likely to apply to all main business taxes in the future and potentially impact all UK taxpayers, but not until at least April 2020.

Although MTD represents a fundamental and unprecedented change to the UK tax system, it also represents a huge opportunity for some GP practices to modernise their record keeping and start using real-time data for the benefit of the practice.

For VAT registered GP practices, the way in which VAT accounting data will be required to be recorded and submitted to HMRC may change.

So what will MTDfV mean for you? In order to provide some clarity around how changes will affect your practice, we provide answers to a number of common questions and misunderstandings about MTD.

I thought MTD had been delayed until 2020?

Not really. MTD has been delayed for all other taxes until at least 2020, but it is a requirement that all VAT registered businesses with an annual taxable turnover above £85,000 must submit their VAT returns digitally, using MTD-compatible software, for VAT return periods commencing after 1 April 2019.

But don't I already submit my VAT return online?

Yes you do, but for VAT return periods commencing after 1 April 2019, the current HMRC online portal will close to businesses over the VAT registration threshold. Practices will need to submit their VAT return figures directly from their accounting system or via a third-party 'bridging' software.

So all that is required is a new link to the HMRC gateway?

Yes and no. MTDfV means that VAT registered practices will need to submit their VAT returns digitally using MTD-compatible software.

However, MTD also means businesses will need to keep their records in a digital format which enables information to be provided to HMRC directly from their accounting system or via bridging software, through application programme interfaces (APIs) which can also receive information from HMRC. There is currently no legislation allowing HMRC real time access to your business records.

How would this work with partial exemption VAT rules?

Because of the partial exemption rules that apply to VAT registered practices, adjustments may be required to the VAT calculations prepared on your accounting system. The VAT return should still be prepared in the software, but a spreadsheet may be used to perform the partial exemption calculation. There is no requirement for the adjustment to be linked to the software and can be made

by manual intervention, but the evidence to support the adjustment (i.e. the spreadsheet) should be attached to the adjustment.

What if there are IT issues and I do not meet the new MTDfV requirements on time?

HMRC has confirmed that there will be a 'soft landing' period between April 2019 and March 2020, in which there will be no financial penalties for not using a digital link between software (unless your primary source of record keeping is a spreadsheet, then this must be digitally linked via bridging software by 1 April 2019) but the return must still be submitted digitally.

You **must** also maintain your VAT records digitally with effect from the first VAT reporting period starting on or after 1 April 2019.

Does this not just mean extra time, costs and bureaucracy?

If you already have an MTD compliant package, filing in an MTDfV compliant manner should actually save you time. For practices without such software, modern packages are able to get direct feeds of bank transactions, plus scan receipts and auto-allocate expenditure to the correct accounts codes. This can not only save time, but give far better access to 'real time' financial data – something which would benefit many practices.

How can PKF Francis Clark help?

If you have concerns that your practice will not be compliant for MTDfV by 1 April 2019 we can offer help and assistance to ensure you are. We have experience with migrating accounting systems to MTD-compliant cloud accounting packages as well as providing training and support to suit your needs. If you would like further information about MTDfV, please speak to a member of our Healthcare team.

Contact us:

Luke Bennett
Truro - 01872 276477

Stuart Cowen
Plymouth - 01752 301010

Sharon Austen
Exeter - 01392 667000

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