



Making Tax Digital for VAT

Further guidance

Making Tax Digital for VAT (MTDfV) is mandated from 1 April 2022 for all VAT registered entities, regardless of turnover.

Here is some further detailed guidance to read together with the 10 FAQs.

Q1 Under MTDfV can I post supplier statements on accounting software rather than each individual invoice?

Yes, using supplier statements to create the digital record is accepted under MTDfV. The statement must show a full VAT breakdown.

Q2 I have a VAT group registration, how will the representative member submit the VAT return to comply with MTDfV?

Members of VAT groups will normally maintain their accounting records on separate accounting packages. The VAT return figures for each entity should be consolidated each period for the preparation and submission of the VAT return by the representative member. In order to be 'MTDfV compliant' there must be a digital link from the various digital records held by VAT group members through to the submission of the VAT return to HMRC.

Q3 My business is partially exempt, how will my calculations be recorded under MTDfV?

Most accounting packages do not cope with partial exemption calculations. However, the partial exemption calculation can be completed outside of the software, i.e. on a spreadsheet and an adjustment can then be posted into the software by journal so the final VAT return should include any irrecoverable VAT when submitted through the software. There is no requirement for businesses to go back and change each line in the software to reflect the amount of recovery on each invoice. Another option may be for businesses to use their previous year's partial exemption percentage and set an appropriate VAT rate in the accounting package for residual input VAT. By using this method, only one journal adjustment would be required after the annual partial exemption calculation.

Q4 I run a hotel and have separate software for bookings. How must I account for the bookings on my accounting software under MTDfV?

There must be a digital link from the booking system to the accounting software. Some of the supplies made by a hotel business will fall under the retail scheme, for example catering, bar and shop sales. HMRC have confirmed that where businesses account for VAT using a retail scheme they must keep a digital record of the Daily Gross Takings (DGT). This means that a daily total of takings can be posted to the accounting system rather than every transaction.

There is currently no requirement to keep a separate record of the supplies that make up the DGT within functional compatible software. Note that retail schemes are aimed at retailers that cannot account for VAT using normal accounting. Retail is the selling of goods or services to the public for use or consumption rather than resale.

Businesses can only use the retail schemes to account for retail sales. If you make a mixture of retail and non-retail sales you can use a retail scheme to calculate the tax due on your retail sales only. You must account for non-retail sales using the normal method of accounting.

Q5 I calculate VAT using a scheme, what do I need to do?

There are various VAT schemes that certain businesses can apply for or should use by law. A summary of the requirements are as follows:

5.1 Annual Accounting Scheme

Under MTDfV the Annual Accounting Scheme will be retained with the current conditions. However, digital records must be maintained and the annual VAT return must be filed through API enabled software.

5.2 Retail Schemes

Retailers that calculate VAT on a retail scheme can record sales transaction data based on daily gross takings, rather than recording details of each sale.

5.3 Flat Rate Scheme

Digital record keeping requirements will mirror current record keeping requirements. Digital records must be kept for sales, however digital records only need to be maintained for expenditure where input tax recovery is permitted, i.e. purchases of capital goods costing £2,000 or more including VAT.

5.4 Margin Schemes

There is no requirement to keep the additional records required for margin schemes in digital format. There is also no requirement to keep margin scheme calculations digitally. Where software does not allow businesses to record VAT on the margin, then it could be entered using either one standard rated supply or one zero rated supply. Alternatively, an adjustment can be made to show the correct VAT.

Q6 How do I record VAT adjustments?

It is common for a business to make adjustments prior to submission of the VAT return, e.g. for fuel scale charges, non-business use and partial exemption. Under MTDfV a business can calculate the adjustment outside of software, e.g. on a spreadsheet. The adjustment can then be posted onto the software for submission to HMRC directly from the software.

Alternatively, a business could export data from the software using a digital link into an API enabled spreadsheet to calculate the necessary adjustments and final VAT return figures. The business should then use bridging software or the API enabled spreadsheet to extract the VAT return figures and submit them to HMRC.

Q7 What if I have made an error on a VAT return?

Amendments and error corrections can be amended on the next VAT return if the error is less than £10,000 or less than £50,000 and 1% of BOX 6 (value of sales) in the period. Otherwise, a disclosure must be made to HMRC. These rules will continue as now, although it is understood that HMRC is considering options for non-mandatory electronic channels for submission of the error correction form.

Q8 How do I submit my EC SL and Intrastat?

Only VAT is currently within the scope of MTD. Reporting statistical VAT information e.g. Intrastat and EC Sales Lists will continue as at present, post Brexit EC sales lists are only required for supplies of goods from NI. It may be these elements become increasingly digitised in the future but there are currently no published plans from HMRC.

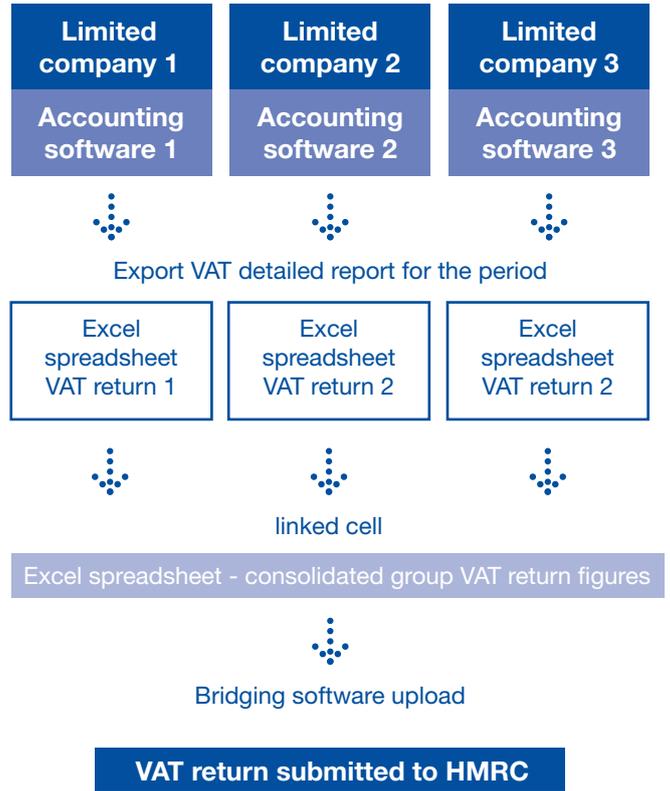
Q9 Following Brexit changes, how does this affect MTDfV?

Following the UK leaving the EU, sales and purchases of goods to and from the EU are now exports and imports.

Software providers have implemented updates to deal with these changes and allow business to account for 'postponed import VAT accounting' as a result of Brexit.

Q10 An example of digitally linked data for a VAT group.

An example of digitally linked data:



[Click here if you would like to see FAQs on Making Tax Digital for VAT.](#)

Contact us



Please get in touch with your client services manager or email:

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