

HOW TO PREPARE YOUR CLIENTS FOR MAKING TAX DIGITAL FOR VAT

A six point checklist



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* Roughly 3.5% of VAT-registered entities will be mandated into MTD for VAT from 1 October 2019 instead.

These complex organisations include: trusts, not-for-profit organisations that are not companies (including some charities), VAT divisions, VAT groups, those public sector entities required to provide additional information alongside their VAT return (such as government departments and NHS Trusts), local authorities, public corporations, traders based overseas, those required to make payments on account and annual accounting scheme users



From 1 April 2019, the bulk* of VAT-registered businesses with a taxable turnover above the VAT threshold (currently £85,000) will need to:

- Keep and store their VAT records digitally
- Send VAT returns to HMRC using MTD-compatible software

And so starts the implementation of HMRC's long-held goal to move businesses (and in time individuals) over to digital record keeping. The rationale here being to make it easier for people to keep on top of their daily accounts, taxes and financial affairs. It's also no secret that HMRC wants to become one of the most digitally advanced tax administrations in the world.

Making Tax Digital for VAT (MTD for VAT) is part of the much wider MTD programme that in time will cover other areas of tax submissions and payments. It is the first to be fully implemented and will affect all businesses over the VAT threshold. At the time of writing, HMRC is currently still testing the software for MTD for VAT and this gives businesses and the accountants that advise them little time to prepare. Saying that, with the publication of HMRC's [VAT Notice 700/22 Making Tax Digital for VAT](#) in July and [the launch of the public pilot](#) in October, MTD for VAT is definitely going ahead. They also recently updated their published [guidance for Businesses](#).

And with time ticking away, many accountants are rightly questioning how they can best prepare their clients' for MTD for VAT. Most want to ensure the transition to MTD is as seamless as possible for all concerned and, at BTCSoftware, we share that view.

As a Software Supplier supporting MTD for VAT and [recognised by HMRC](#), we have amassed considerable insight from working with HMRC in its MTD road-testing over the past 3 years. This, blended with the knowledge we've gained in talking with our clients and from following all the latest MTD announcements, has enabled us to compile this practical checklist.

The areas outlined are intended to help you guide your clients on to get MTD-ready, so compliance from 1st April 2019 is simple and easy to accomplish. You may also want to read our other recent publication [How to Prepare Your Practice for Making Tax Digital for VAT](#). It has more detail and advice for a practice perspective.



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SIX WAYS TO HELP PREPARE YOUR CLIENTS FOR MTD

MTD for VAT

From 1 April 2019, the majority of VAT-registered businesses with a taxable turnover above the VAT threshold (currently £85,000) will need to:

- Keep and store their VAT records digitally
- Send VAT returns to HMRC using MTD-compatible software

Roughly 3.5% of more complex VAT-registered entities will be mandated into MTD for VAT from 1 October 2019 instead (see previous page)

Don't forget...

... to consider those clients approaching the VAT threshold. If a business isn't VAT registered and goes over the VAT threshold (£85,000) they will need to comply with MTD for VAT

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Notify clients affected

It's important to give your clients as much time to prepare for MTD for VAT as possible and, if you haven't already, do notify them. The date when they must start keeping digital records and submitting their VAT return to HMRC using MTD-compatible software will vary depending on when their VAT period starts. They must start following the MTD for VAT rules from the first day of their first VAT period that starts on or after 1st April 2019

MTD for VAT won't change their current VAT filing deadlines, but you all need to be clear which filing period will move them into MTD for VAT compliance. This will be the first full VAT period that starts on or after 1 April 2019. After this point (and if they fall into HMRC's requirements for MTD for VAT submissions), they won't be able to complete paper-based returns or manually complete their VAT return online at the HMRC VAT portal.

What information will be required in the VAT submission

The MTD for VAT submission still requires a business to complete the same nine boxes of information as the current one. The difference is that the submission has to be done digitally using HMRC-defined compatible software. You probably have clients on different VAT schemes (like the Flat Rate Scheme, Retail Scheme and Margin Scheme). Do make sure you and your staff review [VAT Notice 700/22](#) and HMRC's [guidance for businesses](#), as they explain what details must be recorded and stored digitally under different schemes.

Is the client business exempt?

Aside from a client's turnover being below the threshold, HMRC has indicated there are MTD for VAT exemptions for the following circumstances:

1. Religious beliefs are incompatible with the requirements of MTD for VAT (for example individuals running the business are unable to use computers because of their beliefs).
2. Age, disability or remoteness of location which means it's not "reasonably practicable" for the business owner to use digital tools to keep business records or submit returns. For example, a lack of internet supply due to the business' location and broadband availability.
3. The business is subject to insolvency procedures.

To apply for an exemption, contact [HMRC's VAT Helpline](#). Be aware that, if HMRC believes an exemption isn't appropriate, they may offer assistance to help the business get online support.

2 Help clients understand their obligations for keeping and storing their records digitally

MTD for VAT isn't just about digitally filing VAT returns. HMRC wants businesses to keep and store records digitally. This means having digital income and expenditure records.

[VAT Notice 700/22](#) specifies what VAT records must be kept digitally. Typically for most businesses this needs to include:

- The business name
- The address of their principal place of business
- Their VAT registration number
- Details of any VAT accounting schemes that they use

Most businesses will also need to record for each invoice they issue the time and date of supply (tax point date), the net value and the VAT rate used to calculate VAT. The VAT scheme and specific business circumstances may require the client to keep more or less information under MTD for VAT.

Discuss with each client how their current accounting system will help or hinder them with MTD for VAT compliance. For some they will need to move away from paper-based to digital accounting systems, for others you may need to recommend Excel spreadsheet bridging software. This may also present a good opportunity to review whether their current VAT scheme is still right for them, or if they want to move to quarterly reporting (if they're on the annual accounting scheme).

The more preparation time you can give them, the smoother their transition will be. Why not encourage them to join the [public pilot](#) to ease the learning curve?

3 Help clients to find the right digital record-keeping approach for their business

Accountants are in a great position to help clients meet their obligations in relation to digital account-keeping. Ease the transition and shorten the learning curve for your clients by:

- Providing third-party proven software packages with MTD-compliant options to save clients time in sourcing one
- Offering training, advice and consultancy to help clients get into a habit of regular digital accounting
- Helping with the migration of current systems into a digital environment
- Taking on additional bookkeeping or other such work in the set-up or during busy periods whilst the client business gets up to speed with the system

Helping clients understand their obligations

HMRC has also published a [Stakeholder Communication Pack](#) and [guidance for businesses](#) to give a more user-friendly explanation of MTD for VAT which, for example, you can use to help your clients prepare.

Finding the right digital record-keeping approach for your client's business.

Factors to discuss with your client include:

- how its business operations can adapt to support digital record-keeping (eg moving over to app-based expense receipt logging, alternatives to the current invoicing process etc)
- when and where information/ data is usually collected
- what IT infrastructure currently exists
- the synergy of its different systems
- accessibility preferences
- security considerations
- broadband quality as all MTD for VAT submissions have to be done online

4 Signpost the right MTD for VAT software for your clients

Did you know?

BTCSoftware have produced a solution for your clients and a Hub view for practitioners to see and submit the VAT and obligations.

[Find out more...](#)

With little preparation time for MTD for VAT ahead of the 1st April 2019 deadline, clients will appreciate any signposting you can give them when it comes to finding the right MTD-compliant software for their business.

Conduct a review of the [HMRC recognised suppliers](#). There are many options in the market and it's important to select one which is user-friendly for your practice and clients.

Where possible aim to reduce the learning curve involved as much as possible. Explore software providers which can integrate with your current systems and approaches. For example, BTCSoftware has pioneered a [MTD for VAT solution](#) which integrates with many bookkeeping software packages, [spreadsheets](#) and [VT software](#).

5 Arrange authorisations for Government Gateway accounts

Agents submitting MTD for VAT returns for their clients will need a new [HMRC Agent Services Account](#) for MTD. This supersedes the previous 64-8 authorisation.

This is a new authorisation process whereby you have one account per practice (so if you have any other VAT-related Government Gateway accounts these will be merged into one). With the new system when you file a return you will be granted a secure token by HMRC which lasts 18 months. It ensures you don't have to re-enter your Agent services account and credentials every time you make a submission during that timeframe.

New client authorisation

Be aware your new clients will also need to log into their own Government Gateway accounts to authorise you as an agent to act on their behalf.

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Make compliance as simple and smooth as possible.

For some client businesses, MTD for VAT will be a major change to their operations and processes; for others it will involve a slight adjustment to their approach.

In addition to the points we have already covered, there are other ways you can help to ensure the compliance process is as simple as possible for your clients. Here are some further ideas:

- Draw up a timetable for you and your clients to work to in the run-up to the MTD for VAT mandation.
- Instigate a phased training programme so clients aren't overwhelmed and gradually amass the knowledge and experience they need to move to digital record-keeping and honour their MTD for VAT obligations.
- Incorporate MTD-compliant software into your offering and fees - you may experience less fee-resistance if you can provide a clear pricing structure and have sourced a good solution for clients (with minimal disruption to them going forward).
- Consider switching to a monthly fee approach to enable you to support clients as they move over to regular digital record keeping. This may at the same time help their cash flow and budgeting.
- Advise on ways to create greater efficiencies for your clients' businesses – digital record keeping may highlight trends or potential (regular) areas of expenditure which could be addressed for savings, tax efficiencies etc.
- Keep up with the latest developments as HMRC releases more information in the run-up to 1st April 2019. Check out [Agent Update](#) HMRC's online Magazine - a monthly publication which Agents can subscribe to. There's also [Talking Points](#) - weekly interactive meetings from HMRC on hot topics during which Agents can ask questions

Further help

At BTCSoftware we have a dedicated [MTD for VAT page](#) and also regularly publish latest news on our [blog](#).

Also read our guide [How to Prepare Your Practice for Making Tax Digital for VAT](#) for additional help and insight

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An affordable solution

BTCSoftware's [MTD Solution](#) comes free with its cloud-based Solution Suite product or is available as a standalone product (starting from £250+VAT). It enables agents to view all their clients' returns together with the ability to submit the returns on their behalf.

BTCSoftware can also provide agents with MTD for VAT software for their clients (priced at £50+VAT per client). Here the client undertakes the submission, but the agent can view the submission. Agents will need to purchase BTCSoftware's MTD for VAT Solution first.

For a one-to-one demo of any of our products, contact the sales team at e: sales@btcsoftware.co.uk or t: 0345 241 5030



SUMMARY

With Making Tax Digital for VAT (MTD for VAT) around the corner, now's the time to alert your clients and help them prepare for compliance.

Back in July, BTCSoftware was one of the few software developers announced by HMRC as having [MTD for VAT-friendly software](#). This showed we had satisfactorily demonstrated a prototype of our software to HMRC and had tested our products successfully in HMRC's test environment. Since then we have also been undertaking live submissions.

For the past three years we have been working in close partnership with HMRC to ensure Making Tax Digital is as smooth as possible for our customers. We feel it is important to help HMRC find practical solutions to the technical challenges MTD presents. By working closely with them, we want to ensure that MTD for VAT doesn't present unnecessary work pressures on accountancy professionals and their clients.

If you have any questions relating to MTD for VAT or would like a one-to-one demo of any of our products, contact the sales team at e:

sales@btcsoftware.co.uk or t: 0345 241 5030 You can also find latest announcements at our [MTD Knowledge Bank](#) or by following us on [Twitter](#), [LinkedIn](#) or on [facebook](#).

About BTCSoftware

BTCSoftware develop feature-rich, cost-effective and MTD compliant software products that make life easier and more rewarding for accounting professionals. Our abiding ethos is that quality, practice grade software should never be expensive.

Suitable for sole practitioners or larger practices, we've designed our software so it's simple to use, whatever the size of your practice. From start-ups to well-established firms, BTCSoftware's solutions give you the ability to complete Self- Assessment, Corporation Tax and Companies House returns quickly and easily at a price you can afford – and all encompassed within a practice management solution.





BTCSoftware Limited
Lyndale House
24 High Street
Addlestone
KT15 1TN
T: 0345 241 5030
International: +44 1932 840572
www.BTCSoftware.co.uk

