

Making Tax Digital

Frequently Asked Questions

1. What software and technology do I need to be MTD compliant?

You are going to need software that allows:

- You to store digital VAT records
- You to transfer information and returns from the digital records to HMRC
- You to receive information from HMRC

Here's a list of MTD compliant [software providers](#).

2. What does API mean?

HMRC use 'API' to explain how software packages will link to their systems for MTD. It stands for 'Application Programming Interface' and describes how software platforms connect to each other and transfer data. It's important to be aware of because all MTD-compatible software will use HMRC's API.

3. What is a bridging tool or software and how can it help me?

HMRC are allowing the use of bridging software, which is good news because this means you don't have to change the way you currently work. Essentially, it links non-MTD enabled software to HMRC and sends VAT information.

But, this isn't not a complete solution;

- You still need to store digital records and a bridging software doesn't allow this
- You still need to digitally link all accounting applications to complete a digital journey, from the data entered through to the VAT return. Bridging software does not help with this.

4. What is a 'digital link'?

You need to remember that you won't be allowed to copy and paste information between programmes or within VAT return working papers. So, if you use more than one platform, they will need to have a digital link, which allows the digital and automated transfer of data.

5. What happens if we don't have functional compatible software?

Essentially, if you don't have the correct software then, from the 1st April 2019 you won't be able to file your VAT return. If your accounting software provider does not offer a solution the alternative is bridging software or API enabled spreadsheets.

Contact us

For more information on MTD and how you can manage your finances in the cloud, contact us at elev8bymazars@mazars.co.uk



6. I store my records manually. What steps should I take to start the transition to compatible software?

If you keep manual records, our advice is to firstly move to cloud software so that you can use a direct bank feed. This will link to your bank account and pull all the transactions into the cloud. It should also allow you to automatically create the reconciliation process and develop an online cashbook.

You should also talk to your suppliers about receiving invoices electronically. This is another great way to save time in processing and gain efficiencies.

7. Are all VAT schemes affected by MTD?

Have a look at VAT Notice [700/22](#) to see which records must be digitally stored. Any extra records you keep can be stored digitally or in an alternative format (e.g. paper).

Flat Rate Schemes: You aren't required to store digital records of your purchases if you are a SME using the Flat Rate Scheme. The only exception here is if your purchases are capital expenditure goods, which you can claim input tax on.

Retail Scheme: If you use a Retail Scheme- e.g., because you use a Point of Sale (POS) device- you need to digitally record your Daily Gross Takings (DGT).

Margin Scheme: If you sell second-hand products and account for VAT using the Margin Scheme or use the Tour Operators Margin Scheme (TOMS), you don't need to store any extra records in a digital format. Don't worry about keeping the marginal VAT calculation in digital form, just make sure it is accounted for in some form.

8. Does MTD for VAT apply if my business is under the threshold?

If you want, you can voluntarily comply with MTD regulations for VAT if you are under the threshold. If you don't though, it's really important to remember that once your taxable turnover reaches above the threshold, the MTD regulations become compulsory from the beginning of the next month after the threshold has been exceeded.

If it so happens that you fall back under the threshold, the MTD rules still apply unless you deregister from VAT.

