



**MAKING
TAX DIGITAL**



MTD Update for Agents #2: 11th January 2019

Dear Agent

Happy New Year!

Welcome to the 2nd edition of our Making Tax Digital update for agents.

We've brought together the latest MTD information into this update. If there's any subject you'd like us to cover in future updates please let us know via the MTD mailbox:

makingtaxdigital.mailbox@hmrc.gsi.gov.uk

MTD letters to businesses

- April mandated

HMRC has started to contact businesses who are mandated from April. We halted the issuing of these letters over the festive period but will be resuming soon. Every business affected by MTD for VAT should have received a letter by the early February 2019.

- October mandated - Deferred

The majority of customers who are deferred until October have now been sent a letter informing them. The exception to this is businesses that are based overseas and we plan to issue those letters in the next few weeks.

If a customer is expecting a deferral letter but hasn't received one they are advised to contact the VAT Helpline on 0300 200 370.

We are on track to write to all businesses affected by MTD by early February 2019

Key Updates

- **Signing up to the pilot**

Do not sign up to the pilot until you are ready. If you intend to file any returns using the portal or non-MTD enabled software **do not sign up to use MTD until you have submitted your final return via the legacy route**

- **New Agent Services Account**

Agents will need to set up a **new** Agent Services Account (ASA) in order to use Making Tax Digital for Business or any other HMRC digital service. There is guidance on GOV.UK at <https://www.gov.uk/guidance/get-an-hmrc-agent-services-account>

You will be able to use your new ASA to act on behalf of your client to

1. Submit VAT returns
2. Change your client's business details for VAT
3. Send Income Tax Updates as part of HMRC's MTD pilot
4. Register a trust online

5. Register an estate online for someone who has died

- **Getting help with sign up to ASA and MTD**

If you have any issues creating a new ASA, linking clients or signing clients up to MTD you should select the link 'Get help with this page' on the GOV.UK page you are on. This will raise a query with our IT Service Desk who will investigate and respond accordingly.

- **Agent Services account and AMLS**

You need to provide your Anti Money Laundering Supervisors' name, reference number and expiry date when creating an ASA.

It has been a legal requirement since 2009 that all Accountancy Service Providers (ASPs) must be supervised for anti-money laundering purposes. HMRC is the supervisor of all ASPs not supervised by a professional body.

To ensure all agents are compliant with the legal requirements the creation of an Agent Services Account will include Anti Money Laundering checks, this will ensure that all agents regardless of the head of duty they are reporting (ITSA, PAYE, VAT etc) are subject to the same checks and standards.

You can find more guidance on AMLS on GOV.UK including how to apply at

<https://www.gov.uk/guidance/money-laundering-regulations-accountancy-service-provider-registration>

- **ASA Overseas Agents**

Agents based overseas cannot currently sign up for a new Agent Services Account and will not be able to do so until February. This means if the businesses they represent want to join the pilot before that they have to sign up themselves. If a business signs themselves up this does not stop the agent from acting on their behalf going forward.



Spotlight On..... Digital Records

All VAT registered businesses must keep and preserve certain records and accounts. Under Making Tax Digital, some of these records **must** be kept digitally within functional compatible software

VAT Notice 700/22 section 3 explains the requirements of Digital Record-keeping and Section 3.3 lists Records that *must* be kept digitally

3.3.1 Designatory Data – Business Name

- Address of your principal place of business
- Your VAT registration number
- Any VAT Accounting Schemes that you use

- 3.3.2 Supplies made**
- Time of supply (tax point)
 - Value of the supply (net value excluding VAT)
 - Rate of VAT charged.

3.3.2.1 Supplies made by third party agents

- 3.3.3 Supplies received**
- Time of supply (tax point)
 - Value of the supply
 - Amount of input tax that you will claim.

3.3.3.1 Supplies received by third party agents

Any records not specified in VAT Notice 700/22 or that are not required to complete your VAT return do not need to be kept in functional compatible software.

Top 5 Agent Questions about Digital Records

1) Can my customers still issue manual invoices?

Yes. If a business issues paper invoices it can type the selected data contained in the invoice into functional compatible software this includes spreadsheets. In addition the business can take a photo of the invoice and scan it into their software.

2) Do my customers need to record every line on the invoice?

No. Where more than one supply is recorded on the invoice and these supplies are within the same VAT period and charged at the same rate of VAT you can record these as a single entry.

3) How do my customers record petty cash purchases?

Where you are claiming input tax on employee expenses and your employee provides the combined value of more than one purchase, you do not have to record each

purchase separately. The business can record the total value and the total value input tax due.

4) How do businesses record adjustments such as partial exemption calculations?

If the adjustment requires a calculation, this calculation does not have to be made in the functional compatible software. Only the total for each type of adjustment needs to be kept in functional compatible software. Digital links are not required for any of the information used in the calculation however using software for all your calculations will reduce the risk of errors in your returns.

There is a separate process for correcting errors. For more information on correcting errors refer to <https://www.gov.uk/government/publications/vat-notice-70045-how-to-correct-vat-errors-and-make-adjustments-or-claims>

5) Do businesses need to record reverse charge transactions digitally?

If your software records reverse charge transactions then you do not need separate entries for the self-supply and purchase.

If your software does not record reverse charge transactions then the business will need to record reverse charge transactions twice, once as a supply made and a second time as a supply received.

Myth Busters

*“HMRC will deny access to the online portal where a business has a turnover above £85K – even if this includes exempt supplies and their **taxable** turnover is below £85K.”*

This is incorrect.

Each business is responsible for checking their taxable turnover, and must sign up for the new MTD service if it is over the VAT registration threshold (currently £85,000). We will only close the legacy VAT service (aka the online portal) for a specific business once they have signed up to MTD – until they do, they can continue to use the existing service. The MTD rules only apply to businesses over the threshold. Those under the threshold can join voluntarily if they wish. VAT Notice 700/22 section 2 has more information about the turnover test.