

Making Tax Digital for VAT

Factsheet for voluntarily VAT-registered businesses

Making Tax Digital (MTD) for VAT is being extended to voluntarily VAT-registered businesses with effect from their first VAT return starting on or after [1 April 2022](#).

You will need to take action if your business has a voluntary VAT registration (it is registered for VAT but makes taxable supplies of less than £85,000 each year), you wish to remain VAT registered and you have not already signed up to MTD for VAT.

You will need to ensure that you:

- Keep your business' VAT records digitally; and
- Submit your VAT return to HMRC using Making Tax Digital compatible software.

Here are the answers to some frequently asked questions:

Is registering for MTD for VAT difficult?

The process itself is not difficult, although it is best to prepare in advance. Registration is done via the [gov.uk](#) website; search "[Sign up for MTD for VAT](#)".

You will need: your VAT number, date of registration, postcode, the "Box 5" figure from the last return, the month your last return was submitted and details of your chosen MTD software.

Bear in mind that once you are registered, you can no longer submit your VAT returns in the traditional way – so wait until you have completed your last VAT return under the "old" system unless you want to register early.



Will I have to change my accounting system?

It depends! Most well-known bookkeeping software packages will be MTD-compatible although you might have to update them. You should check with your provider that the software is compliant.

We recommend using a [cloud-based](#) bookkeeping system. These are easy to use and often save time because they can be linked to your business bank account which avoids re-keying entries. LFF is a [Xero](#) partner, but we can offer support including implementation and training for all cloud-based and traditional bookkeeping packages. In future, Making Tax Digital will be extended to taxes other than VAT and we think that a cloud-based system will put your business in a good position for this.

Can I still use spreadsheets?

It is fine to use spreadsheets, but there are a couple of things to think about. Firstly, the spreadsheet must contain all of the information specified by HMRC to meet their MTD requirements. Secondly, any links between systems must be [digital](#) – you cannot use copy and paste or manually re-key figures. LFF can assist by providing template spreadsheets that comply with HMRC requirements.

How do I submit my VAT return under MTD?

If you are using cloud-based or desktop bookkeeping software, you should be able to continue submitting your return within the software. If you are using spreadsheets, you will need to use a piece of [bridging software](#). There are now many different options available; alternatively, we can submit your returns for you using our bridging software.

Are there any exemptions I could use?

There are some exemptions from complying with MTD for VAT, but they are very limited. They apply where people have religious beliefs that are not compatible with the requirements, or for people whose age, disability or remoteness means it is not reasonably practical for them to use digital tools.

Where can I access more support?

LFF is on hand to help guide you through the switch. Just get in touch with us via our contact page or speak to your usual contact who will be able to explain the next steps.
