



Under the Annual Accounting Scheme for VAT, VAT-registered businesses make advance payments towards their VAT bill based on their last return and submit one VAT return a year rather than quarterly returns. If you have not already done so, you will soon need to start complying with Making Tax Digital (MTD) for VAT and using MTD-compatible software to file your annual VAT return.

Key dates

From 15 May 2023, VAT-registered businesses using the Annual Accounting Scheme will no longer be able to use their existing VAT Online account to file their annual VAT return.

This note explains what you need to do to move over to MTD for VAT.

Nature of MTD for VAT

Under MTD for VAT, you must keep digital records and file your VAT returns using MTD-compatible software. MTD for VAT is now compulsory for all VAT-registered businesses, unless they are eligible for an exemption.

Moving over to MTD for VAT

If you use the Annual Accounting Scheme for VAT, from 15 May 2023, you will not be able to use your existing VAT Online account to file your annual VAT return. Instead, you must file the return using MTD-compatible software. HMRC are now signing up all remaining VAT-registered businesses for MTD for VAT, unless the business is either exempt from MTD or has applied for an exemption from MTD and is waiting for a response from HMRC.

For all the latest news...

What you need to do

If you have not already done so, you should take the following steps before filing your next annual VAT return.

1. Choose MTD-compatible software that is right for your business.
2. Check that the software permissions for the software that you have chosen allow it to work with HMRC.
3. Keep digital records for your current and future VAT returns.
4. File your VAT return on time using MTD-compatible software.

If you fail to comply, you may be charged a penalty.

MTD-compatible software and digital records

HMRC produce a list of software that is MTD-compatible software. The list can be found on the Gov.uk website at www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-vat. You can use the list to help you find software that is right for your business. You can find information on how to manage the permissions to allow the software to work with HMRC on the Gov.uk website at www.gov.uk/permission-software-tax-information.

You must use your MTD-compatible software to file your future VAT returns, making sure that they are filed on time. You can find guidance on submitting VAT returns under MTD for VAT on the Gov.uk website at <https://www.gov.uk/submit-vat-return/submit-return-pay-vat-bill>.

You must also keep your VAT records digitally. You can find guidance on what records must be kept digitally on the Gov.uk website at www.gov.uk/charge-reclaim-record-vat/keeping-vat-records.

Exemptions

In limited circumstances, you may be able to apply for an exemption from MTD for VAT. If you are already exempt from filing your VAT returns online, you will be exempt from MTD for VAT automatically and do not need to apply. You will also be granted an automatic exemption if you are subject to an insolvency procedure.

If you think that you may qualify for an exemption, for example due to your age or a disability or on religious grounds, you can apply by writing to or calling HMRC. Guidance on applying for an exemption can be found on the Gov.uk website at www.gov.uk/guidance/apply-for-an-exemption-from-making-tax-digital-for-vat.

Penalties

You may be charged a penalty if you file your VAT return late or pay your VAT late.

We can help

If you would like help or have any questions on any of the topics discussed in this broadcast, please contact us to speak to a member of our dedicated team, call us on **01753 888211** or email info@nhllp.com