

Making Tax Digital for VAT checklist

Around 700,000 businesses that are voluntarily registered for VAT need to start following the Making Tax Digital (MTD) for VAT rules in April 2022. Is your business one of them? If so, use this checklist to ensure you're ready ahead of time.



1. Figure out when to sign up for MTD for VAT

This one's easy – you can sign up to MTD for VAT right now. This will help you avoid the crush in the run up to April 2022, and could mean easier access to HMRC's helplines in the event of problems, as well as the helplines of your accounting software vendor.



2. Get MTD-recognised software

Using software that's compatible with MTD for VAT is a key requirement. But you're required to have it ready before you even sign up to MTD. If you use cloud accounting software, there's a chance you're already good to go – but speak to your software vendor to confirm.



3. Figure out your first MTD for VAT period

You must use MTD for VAT for your first full VAT period following 1 April 2022, regardless of whether you file monthly, quarterly or yearly returns. Those using VAT schemes such as the Flat Rate or Margin Scheme should also use 1 April 2022 as the start date.



4. Work out what needs to be done differently

Take a look at all of your processes that revolve around generating your VAT Return. Some will need to be digitalised. But if you issue paper invoices, as one example, then this process continues to be OK provided you transfer the data to your accounting as soon as possible.



5. Speak to your accountant

Your accountant can continue to handle VAT Returns for you, even after you (or they) sign up your business for MTD for VAT. But you'll still need to use software for your VAT accounting. You'll need to keep your VAT accounting records digitally as of 1 April 2022. Talk to your accountant to see how they can help you.



6. Digitally link all your systems

If you rely on multiple pieces of technology or software for your VAT accounting, they need to be digitally linked for MTD for VAT. This means data is transferred automatically and electronically. This can't involve manual intervention, such as copying and pasting, or retyping information.



7. Prepare for MTD in the coming years

MTD for Income Tax begins in 2024, and will replace the Self Assessment system for many sole traders and landlords. No sooner than April 2026, MTD for Corporation Tax will arrive, affecting incorporated companies. Keep this in mind when designing changes to your processes and software you use.