

Press release: Making Tax Digital becomes law

From today (1 April 2019), the government's major Making Tax Digital programme becomes law for over one million VAT-registered businesses earning more than £85,000.

The new rules, first announced in 2015, will mean most businesses above the VAT threshold will need to keep their records digitally and submit their VAT return using MTD-compatible software for VAT periods starting on or after 1 April.

MTD will make it easier for businesses to get their tax right first time. HM Revenue and Customs (HMRC) has been urging businesses to get ready and has already written to every business affected with information on what they need to do.

Almost 100,000 businesses have already signed up to the new service. More than 4,000 businesses are now signing up to MTD every day to experience a more integrated approach to business and tax.

HMRC knows businesses will require time to become familiar with the new requirements. During the first year of VAT mandation, HMRC will take a light touch approach to penalties by not issuing filing or record keeping penalties where businesses are doing their best to comply with MTD.

Mel Stride MP, Financial Secretary to the Treasury, said:

Delivering Making Tax Digital for VAT is the first step toward our ambition to create one of the most digitally advanced tax authorities in the world.

The rules that come in from today will give businesses more control over their finances, allowing them to spend their time focusing on innovation, growth and the creation of jobs.

Theresa Middleton, Director of the Making Tax Digital for Business Programme, said:

Tens of thousands of businesses joined our pilot over the last 6 months and have helped us to test and improve the live service ensuring we have the right support in place to help people transition.

Now is the time for those businesses affected by MTD who haven't done so already to begin preparing to switch over and start experiencing the benefits MTD has to offer. You don't necessarily

need to sign up from day one, but you do need to make sure you're keeping your records digitally for your next VAT period which starts on or after 1 April.

Emma Jones, founder of small business support network Enterprise Nation, said:

Encouraging small firms to adopt more digital functionality offers real benefits. For example, having accurate and timely financial information to hand helps companies make better, more informed decisions and using digital tools more broadly, including time management, helps businesses increase productivity.

In the longer term we feel Making Tax Digital and the digitisation of tax records will present significant advantages to business.

What businesses need to do now

If you have not prepared, do not panic. 1 April is not a 'cliff edge' for sign-ups – the first returns under the new system for the majority of businesses, which file VAT quarterly, won't be due until August at the earliest.

Accountants or other tax representatives will already be aware of MTD and will advise businesses how and when they need to make changes to be ready for the new service.

Those already using software will simply need to ensure it is MTD-compatible then sign up to the new service and authorise their software for MTD.

For those who are not using an accountant or don't currently use software, it is quick and easy to sign up and there is lots of information available to help them prepare, including about what software is available.

You should:

- take steps to find out if your business is affected by the Making Tax Digital changes and what you need to do if it is. Most businesses above the VAT threshold have to start keeping their records digitally and sending their VAT return to HMRC direct from their software for VAT periods starting on or after 1 April
- talk to your accountant or agent – if you use one to manage your VAT affairs – about how they are making returns MTD-compliant
- speak to your software provider if you already use software to ensure it will be compatible

Those businesses that are either not represented by an accountant and/or do not already use software will need to select software to use and sign up to MTD, then authorise their new software for MTD. Our GOV.UK webpages provide information on a wide variety of products, from free software for businesses

with more straightforward tax affairs, to increasingly sophisticated paid solutions. There are also products that can be used in conjunction with a spreadsheet for those businesses that don't want to change their underlying record keeping system.

For easy-to-use guides and advice for businesses, agents, see guidance on GOV.UK: [Making Tax Digital for VAT as a business: step-by-step](#).

You can also view [webinars and videos for Making Tax Digital](#).

You can also read [Making Tax Digital \(MTD\): Mythbusters](#).

Background

1. Making Tax Digital was first announced in 2015 as a key part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs.
2. HMRC recognises that businesses will require time to become familiar with the new requirements of MTD. During the first year of mandation, we will not issue filing or record keeping penalties where businesses are doing their best to comply with MTD. However, sanctions will remain possible in cases of deliberate non-compliance, and in order to safeguard VAT revenue.
3. No business will be forced to go digital for their VAT returns if they are unable to. Anyone who is already exempt from online filing of VAT will remain so under MTD and there is further provision for those who cannot adapt to the new service due to age, disability, location or religion to apply for an exemption.
4. Businesses that are registered for VAT but are below the VAT threshold are also not required to use the MTD service, but can choose to do so.