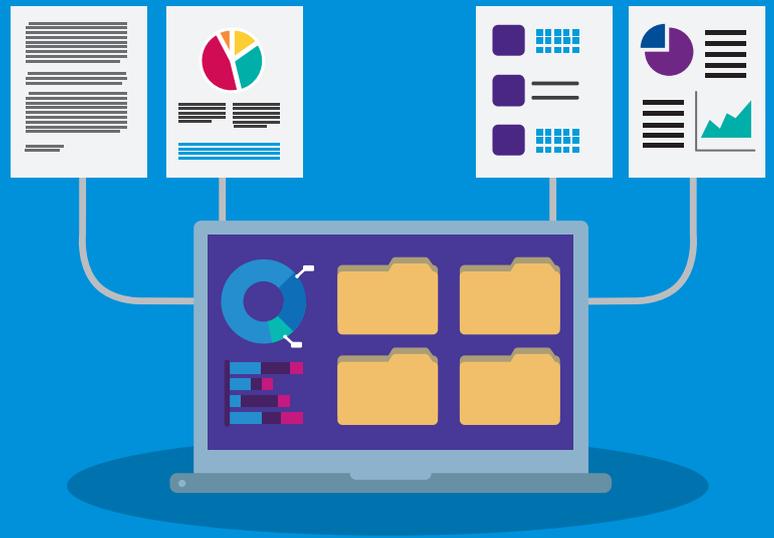




# Are you ready for digital VAT reporting in the UK?



January 2019

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# VAT is going digital from April 2019

**Making Tax Digital (MTD) is one of HMRC's key strategic priorities, with the aim of transforming and modernising how tax is reported and managed. The first stage of MTD is to bring VAT into the digital domain.**

From April 2019, all businesses with a turnover above the VAT threshold (currently £85,000) will be required to file their VAT returns digitally. A six month deferral applies to approximately 3.5% of taxpayers including businesses not established in the UK and VAT Groups. VAT has been online since 2010 and, like over 98% of VAT registered businesses, your organisation may already file returns electronically. However, MTD will involve significant changes to the existing process.

Making Tax Digital involves two things:

Maintaining digital records in digitally linked functional compatible software that can create a VAT return from the digital records and which can connect to HMRC systems via an Application Programming Interface (API).

Submitting the VAT returns from that functional compatible software rather than, as present, via the online portal.

*VAT is only the beginning...*

We anticipate that what is being asked of businesses under MTD will evolve over time in line with wider trends we are seeing in Europe and across the world, with corporation tax and income tax expected in 2020 at the earliest. All businesses will now need to consider how they collect, store and process data from a tax perspective to prepare for these potential developments – starting with VAT, where the clock is already ticking.

# KPMG can help in a three-step approach

To prepare for the digitisation of UK VAT reporting, we can help your business assess its position and get ready for the change in three stages:



## Diagnostic Assessment:

Carrying out a diagnosis of your current VAT returns process to establish what the organisation will need to do to become compliant from April 2019. Is your process accurate and efficient?



## Systems Readiness:

We can advise on the most appropriate system changes and selection of reporting tools to meet the MTD requirements. We can also help you enhance existing VAT reporting processes from an efficiency and risk perspective. The more robust the systems are, the less scrutiny there is likely to be from HMRC.



## Future Proof Tax Reporting:

We can help your business future proof systems in readiness for a potential increase in requirements under MTD relating to digital and automated tax return processes and providing tax authorities across the world with more information on a real time basis.

## A checklist for digital VAT readiness

- Are you ready to submit your VAT return digitally when you can no longer use HMRC's online service from April 2019?
- Do you have a plan in place for ensuring that you are compliant from April 2019?
- Is your current VAT reporting process efficient and accurate?
- Is the journey of information, from source to VAT return, compliant with the new digital link requirement?
- Are you capturing and storing all the required data in functional compatible software?

# FAQS

01.

## **Isn't it only a 'soft landing' in 2019 – we've got until 2020 until we really need to do anything?**

No. Every business needs to implement a solution to facilitate digital transmission, and keep digital records, from April 2019. The soft landing period only applies to the digital link requirement. In line with the trends in Europe and the rest of the world, we expect that at some point, additional information will need to be provided. Businesses need to act soon as implementing these changes will in some cases require significant time and effort.

02.

## **Couldn't we build a solution ourselves?**

You can – but if you build it yourselves, you will need maintain it, and make sure it keeps up with any changes MTD will undergo. The requirements may steadily increase.

03.

## **Who internally should be taking responsibility for this?**

Operational taxes such as VAT are typically managed by multiple stakeholders across a number of business functions (e.g. Accounts Payable, IT, Finance, Tax etc.). As such, responsibility for VAT reporting could reside with accountants, tax managers or finance. Where applicable, the Senior Accounting Officer (SAO) will also need to gain reassurance that the systems and processes are adequate to deliver accurate and timely VAT returns in order to meet their obligations.

04.

## **Can we avail of the deferral until October 2019?**

A 6-month deferral may apply to taxpayers who fall into one of the following categories: trusts, 'not for profit' organisations that are not set up as a company, VAT divisions, VAT groups, certain public sector entities, local authorities, public corporations, traders based overseas, those required to make payments on account and annual accounting scheme users. For entities that fall into one of these categories, there will be an additional six months to ensure records are maintained as prescribed by HMRC and to file VAT returns via an API. In addition, for taxpayers in this category, the requirement for businesses to have records digitally linked will not apply until October 2020.

# How KPMG makes a difference



We have an extensive tax practice with years of experience in helping clients meet regulatory requirements



We have a dedicated team of Tax Technology experts with in-depth knowledge of the MTD requirement



We have a large team of Indirect Tax specialists across our Belfast and Dublin offices



We can provide support for businesses of all sizes and sectors



We have developed a range of bespoke technology solutions and packages

# Contact us



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