



## **Making Tax Digital for VAT is coming – are you ready?**

- Make sure your business is prepared for the change – take steps now

Businesses are reminded to take steps to prepare for Making Tax Digital (MTD) for Value Added Tax (VAT) before it becomes mandatory for all VAT-registered businesses from 1 April this year.

MTD is designed to help businesses eliminate common errors and save time managing their tax affairs.

MTD for VAT is part of the overall digitalisation of UK Tax. In a recent independent study of over 2,000 businesses, 69% reported experiencing at least one benefit from MTD. These included preparing and submitting returns faster and increased confidence that they were getting tax right. Sixty-seven percent of businesses also felt MTD had reduced the potential for mistakes in at least one aspect of the record keeping, preparing and submitting returns process.

As of December 2021, nearly 1.6 million taxpayers had joined MTD for VAT with more than 11 million returns successfully submitted. Around a third of VAT-registered businesses with taxable turnover below £85,000 have voluntarily signed up to MTD for VAT ahead of April 2022, and thousands more are signing up each week.

Since April 2019, businesses with a taxable turnover above £85,000 have already been required to follow MTD, keeping digital records and filing VAT returns using MTD compatible software.

In July 2020 it was announced that all VAT registered businesses must file digitally through MTD from April 2022, regardless of turnover. HMRC is now reminding businesses below the £85,000 threshold of the steps which they need to take to be ready.

**To sign up to MTD VAT, businesses, or an agent on a businesses' behalf, need to:**

**Step 1:** Visit [GOV.UK](https://www.gov.uk) and choose MTD-compatible software

**Step 2:** Keep digital records starting from 1 April 2022 or the beginning of their VAT period

**Step 3:** Sign up and submit their VAT Return through MTD.

If businesses have not yet signed up to MTD for VAT, they should do so now to ensure they are ready in time for the April 2022 deadline.

**Joanna Rowland, Director General for Transformation Group in HMRC, said:**

“MTD is fundamental to the delivery of a trusted and modern tax system, making it easier for businesses to get their tax right and supporting the UK to go digital.

“By signing up for MTD, we expect most businesses to experience long-term benefits, including reduced errors and time saved in managing their tax affairs.

“We encourage businesses to explore digital record-keeping for their VAT affairs and use this time to choose the right software to support their business needs.”

**FSB National Chair, Mike Cherry, said:**

“We have worked hard to ensure Making Tax Digital launch dates were adjusted to give small businesses more time to prepare and allow more competition to open up in the accounting software market. It’s important that firms do all they can to get ahead of deadlines and access the affordable platforms that are now available; if they are members of FSB, they will have access to a new easy MTD member service that we are creating.

“We’ll continue to work with government, and through our support services, to minimise the admin and cost impacts of MTD on small firms whilst unlocking the productivity gains the initiative could bring.”

Businesses can find help and support on how to sign up for MTD on [GOV.UK](https://www.gov.uk). Agents can sign up on behalf of a business, although businesses remain responsible for meeting their VAT obligations. Those who do not join may be charged a penalty for failure to do so.

For businesses who need help and support on signing up for MTD, HMRC is running a series of webinars. More information can be found on [HMRC’s MTD help page](#).

We recognise that some businesses will experience upfront costs in joining MTD. There are a range of compatible software products available for MTD for VAT, allowing businesses to choose which tools they use to run their business and tax affairs. A list of software compatible with MTD for VAT, including low-cost options, can be found [here](#).

Some VAT-registered businesses may be eligible for an exemption from MTD, if it is not reasonable or practicable for them to use digital tools for their tax. If a business has previously been granted an exemption for VAT online filing, this will carry over to

MTD VAT requirements. Go to [GOV.UK](https://www.gov.uk) for more information on how to apply for an exemption.

Example case studies from businesses who are currently benefitting from MTD for VAT can be viewed [here](#).

**Notes to Editors:**

1. Businesses can choose to register themselves for MTD or can ask their agent to do this for them.
2. Businesses, or an agent on their behalf, must sign up to MTD for VAT [via the GOV.UK website](#) to fully join MTD. They must have MTD-compatible software before signing up.
3. Please ensure that you sign up to MTD at least 5 days after your last non-MTD VAT return deadline date, and no less than 7 days before your first MTD VAT Return deadline date or you may pay for your VAT twice.
4. Businesses must keep digital records under MTD. This can be done through software. Where a business chooses to use bridging software, digital links must be in place to ensure that records are kept digitally as information is transferred between different platforms.
5. Businesses need to have signed up to MTD for their first VAT return starting on or after 1 April 2022. They may not be required to make their first submission via MTD until Summer 2022.
6. [Impact of Making Tax Digital for VAT](#) was prepared by IFF Research for HMRC in July 2021.
7. In 2020, the government published '[Building a trusted, modern tax administration system](#)', setting out a vision of a UK tax system fit for the 21st century, designed to improve its resilience, effectiveness and support for taxpayers. MTD is the first phase of a move toward this modern, digital tax service.
8. Making Tax Digital (MTD) first launched for those with taxable turnover above the VAT threshold (£85,000 per annum) in April 2019.
9. Last year, the Government announced that MTD for Income Tax Self-Assessment (ITSA) will be introduced a year later and will now come into effect in the tax year beginning in April 2024, giving businesses more time to prepare.
10. Follow HMRC's Press Office on Twitter [@HMRCpressoffice](#)

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