



**MAKING
TAX DIGITAL**



MTD Update for Agents #13: 22 July 2020

Hello,

As you may be aware Edition 13 of this update was originally scheduled for release on 20 March. We are pleased that following a temporary pause, due to the developing Coronavirus (COVID-19) situation, we're now able to bring you this edition.

We know that some businesses have been severely affected by the Coronavirus (COVID-19) situation and we remain committed to supporting them during this time.

Please send any suggestions for topics you would like us to cover in future editions of this update to our mailbox at:

makingtaxdigital.mailbox@hmrc.gov.uk

This is also the email address to use to be added or removed from the distribution list.

In this edition:

[Making Tax Digital announcement](#)

[Update on COVID-19 VAT payments deferral scheme](#)

[Latest MTD sign up stats](#)

[Encouragement sign up letters](#)

[Digital Links – extension until March 2021](#)

[Changes to the Trading Address boxes when creating new Agents Services](#)

[Accounts \(ASAs\)](#)

[Anti-Money Laundering Supervision email](#)

[Permitted adjustments](#)

[MTD related publications](#)

[Webinars](#)

[Useful links](#)

Making Tax Digital Announcement

On 21 July the Government published a 5 to 10-year vision for tax administration. This included a future roadmap for Making Tax Digital.

The roadmap provides certainty so that businesses and agents can plan ahead. It allows for lead-times and piloting and does not require action in the near future.

Making Tax Digital will be:

- extended to VAT-registered businesses with turnover below the £85,000 VAT threshold from April 2022 – 30% of these businesses have already joined voluntarily; and

- introduced for Income Tax Self-Assessment for businesses and landlords with income over £10,000 from April 2023.

In addition, we will consult in the Autumn on the detail of extending Making Tax Digital to incorporated businesses with Corporate Tax obligations.

You can read the Vision, 'Building a trusted, modern tax administration system', on Gov.uk:

<https://www.gov.uk/government/publications/tax-administration-strategy>

Update on COVID-19 VAT payments deferral scheme

As part of the Government's response to COVID-19, businesses were given the option to defer their VAT payments between 20 March and 30 June.

In June HMRC wrote to businesses to remind them the deferral scheme was ending (on 30 June) and VAT returns with a payment due date after 30 June must now be paid as normal.

Businesses that have deferred payments, and who normally pay by direct debit, should now set up a new one via their Business Tax Account (BTA). The screens below show the step by step process to do this. Please allow 3 working days before payment is due for direct debits set up via a BTA.

Please encourage your clients to check the email address given on these screens is correct (or input a new email address). Email addresses are required as part of banking regulations - HMRC will not use the email address given here to contact clients unless it is about their direct debit.

If more than one client's signature is required on the direct debit instruction use the paper form – there's a specific MTD VAT C9 form on GOV.UK at:

<https://www.gov.uk/government/publications/vat-instruction-to-your-bank-or-building-society-to-pay-by-direct-debit-vatc9> You must give your business VAT registration number and an email address in the 'For HM Revenue and Customs official use only' section of the form.

There are different SUN numbers (used by the BACS system) on each form so it's important you use the correct one.

Paper forms take longer to process so please allow time for this when setting up a new direct debit.

HMRC's Time To Pay is still available for businesses struggling to pay their tax bills. See the guidance on GOV.UK at: <https://www.gov.uk/difficulties-paying-hmrc>

Any deferred payments should be paid in full on or before 31 March 2021. Business can make ad hoc payments or additional payments with their subsequent VAT returns if they wish, to reduce the amount outstanding.

There is guidance on GOV.UK at <https://www.gov.uk/guidance/deferral-of-vat-payments-due-to-coronavirus-covid-19>

We are encouraging businesses not to call HMRC if possible so that our phones lines are available to those that need them most.

 **Business Tax Account**

[Home](#) [Messages](#) [Manage account](#) [Help and contact](#)

[Your VAT account](#) > Payment and repayments

Manage bank accounts or track repayments

- Set up a Direct Debit
HMRC will automatically collect your VAT Return payments when due
- Manage your repayment bank account
Account: ***9872, Sort code: ***7 52
- Track your VAT repayments
View what HMRC owe you

[Continue](#)

 **Business tax account**

[← Back](#)

Which email do you want to use?

We will only use this email for important information about your Direct Debit.

- johnsmith@gmail.com
- A new email address

[Continue](#)

[Get help with this page](#)

[◀ Back](#)

Verify your email address

We've sent an email to a.brown@mydomain.com. Click on the link in the email to verify your email address. You have 30 minutes to confirm.

You can [change your email address](#) if it's incorrect.

▶ [I did not get an email](#)

[Get help with this page](#)

Verify your email address

Dear Mr J Smith

You told us you want us to use this email address to contact you about your Direct Debit.

Before we can start using this address, you'll need to verify it.

How to verify your email address

You must click the link below within the next 30 minutes to verify your email address:

<http://email-verification.service/email-verification/kjasdfhjksahdfkjlhfkISAHFDkdsjal;kioqewkalsDJK;AHJfdf>

After 30 minutes this link will expire and you'll need to start again.

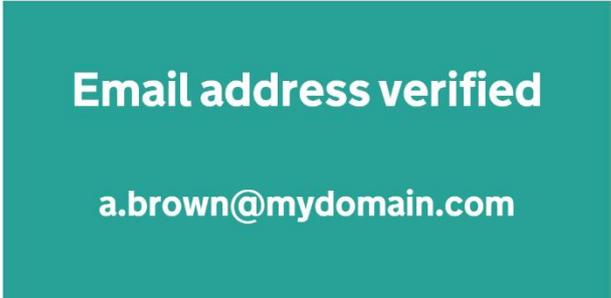
From HMRC Direct Debits

If you're unsure an email is from HMRC:

- Do not reply to it or click on any links
- Report the suspicious email to HMRC - to find out how, go to GOV.UK and search for 'Avoid and report internet scams and phishing'



BETA This is a new service – your [feedback](#) will help us to improve it.



We will only use this email to contact you about your Direct Debit.

[Continue](#)

[Get help with this page](#)

BETA This is a new service – your [feedback](#) will help us to improve it.

[← Back](#)

Set up Direct Debit

Name on the account

Sort code

Account number

Are you the only person required to authorise a Direct Debit from this account?

Yes No

[Continue](#)

[Get help with this page](#)

BETA This is a new service – your [feedback](#) will help us to improve it.

[← Back](#)

Check your details are correct

Name on the account [Change](#)
Sort code
Account number

Email address a.brown@mydomain.com [Change](#)

Terms and conditions for VAT Direct Debit

1. You must provide a valid email address in order to use this service. We will use this to send you important notifications about your Direct Debit. The full messages will be available in your online tax account.
2. You must make sure that your bank or building society will accept Direct Debit Instruction for the account you want to use. Direct Debit collections can only be made once the Direct Debit Instruction is accepted.
3. When submitting a new Direct Debit Instruction, you must be authorised to sign for the account as either the sole signatory or authorised to sign on behalf of all the other signatories.
If more than one signature is required to authorise the Direct Debit on this account, you will need to [complete a paper version of the mandate form](#).
4. The account for your Direct Debit must be a bank account registered in the UK and in British pounds.
5. You must make sure you have enough money in your account to pay the tax due on collection day.
6. The Direct Debit will only take the amount we tell you about in advance. You must arrange to pay other VAT liabilities like surcharges, penalties or interest by other payment methods.
7. If you miss the due date for your VAT payment, or complete your VAT Return late, you could be liable to a financial penalty. If you know that the Direct Debit collection will fail, you must pay by the due date using another method.
8. You can cancel or change your Direct Debit Instruction using our online service up to 5 working days before your VAT payment is due.
9. Your bank may cancel your Direct Debit Instruction if it has not been used for 13 months from the date of setting it up, or from the date of the last payment. This is covered by the Direct Debit dormancy period rule.

Payments will appear on your bank statement as **'HMRC E VAT DDS'**

▶ [You are covered by the Direct Debit Guarantee](#)

[Confirm and set up Direct Debit](#)

[Get help with this page](#)

BETA This is a new service – your [feedback](#) will help us to improve it.

Direct Debit Instruction received

Your reference number
999984111

We have sent a confirmation email to a.brown@mydomain.com.

What happens next

We will collect your VAT Return payments automatically by Direct Debit.

Contact us about your Direct Debit

If you have questions about your Direct Debit, call 0300 200 3700 and quote your VAT registration number.

[Print this page](#)

[Return to your VAT details](#)

Help us improve our services

We use your feedback to make our services better.

[Tell us what you think of this service.](#) (takes 30 seconds)

[Get help with this page](#)

Latest MTD VAT sign up stats

There are now around 1.4 million businesses signed up to MTD and over 6 million VAT returns have been successfully submitted through the service.

The rate of voluntarily sign up (below the VAT turnover threshold) is over 30%.

On 19 March 2020 HMRC published an evaluation of the introduction of MTD for VAT. The report can be found on GOV.UK at <https://www.gov.uk/government/publications/making-tax-digital-review>.

Section 3.6 starting on page 16 gives more information about the volumes of businesses using the service.

The evidence shows the service is working well, although acknowledges the technical teething issues that a service of this kind would be expected to face initially. It also details the steps we have taken collaboratively with customers and agents to resolve any issues promptly. In addition, it recognises the “*significant contribution of tax agents, software providers and businesses across the country in working so professionally and constructively to implement this significant and important modernisation*”.

If you haven't got time to read the whole report, there is a summary for VAT on page 21.

Encouragement sign up letters

Around 85% of mandated businesses are now signed up to the MTD VAT service. Over the past year, we have written to businesses who had not signed up by their first filing deadline reminding them of the need to do so. This activity was paused due to the Coronavirus (COVID-19) situation. However, we have now recommenced our activity, starting with writing to these businesses with a further reminder and signposting support.

Unfortunately, a very small number of these letters were sent to businesses who have previously been granted an exemption from MTD. If we have previously written to you confirming that your businesses is exempt from MTD, the terms of that exemption letter will continue to apply. You do not need to take any further action to sign up to MTD and can continue to submit your VAT returns using your current method. Please accept our apologies for any inconvenience caused.

On Monday 29th June, we published the research report '**MTD for VAT - Exploring the barriers and enablers to becoming compliant**' <https://www.gov.uk/government/publications/making-tax-digital-for-vat-exploring-the-barriers-and-enablers-to-becoming-compliant>

We commissioned this research with mandated businesses who had not yet signed up to MTD for VAT to:

- gain a deeper understanding of the reasons and motivations behind non-compliance
- explore barriers and enablers to support businesses in becoming compliant
- further develop our communications to businesses.

The report findings will be used to support our response to businesses still to sign up.

- We recognise the hard work agents have played in ensuring clients that are mandated to use MTD are aware of the changes and have taken the appropriate actions required to comply. We hope you can use the report findings to provide further support to your clients and help reach businesses yet to sign up. Some of the reasons businesses have given for not signing up to MTD include:
 - businesses assumed they were already 'digital' as they were using software and submitting their return online. Our advice is for them to contact their software provider for advice on how to authorise their software to work with MTD and to take that final step to become fully compliant.

- businesses had tried to sign up to MTD in the past and received an error message such as 'We are experiencing technical difficulties'. Our advice is to try again as all businesses are now able to sign up.

If anyone experiences difficulties when signing up to MTD they should use the 'Get help with this link' on the GOV.UK page they are on. This will raise an incident with our helpdesk.

You can sign up your clients here: <https://www.gov.uk/guidance/sign-up-for-making-tax-digital-for-vat>

Digital Links – extension until March 2021

We have provided MTD businesses with more time to put in place digital links between all parts of their functional compatible software. It is important for businesses to note that despite this relaxation they still need to ensure they are keeping digital records, submitting VAT returns via an API enabled software and maintaining all digital links they currently have in place.

As a result of the Coronavirus (COVID-19) situation the "soft landing period" to implement digital links has been extended to 31 March 2021. Previously there were 2 start dates - from 1 April 2020, or 1 October 2020 for deferred businesses. **Now all businesses will not be required to have digital links between software programs until their first VAT Return period starting on or after 1 April 2021.**

Making Tax Digital (MTD) for VAT requires a business to keep and maintain an 'electronic VAT account.' Section 4.3 of the VAT Notice 700/22 <https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat#para-4-3> gives more information on the records that must be kept digitally.

The accounting system or software program a business uses to keep and maintain their electronic VAT account is where the 'digital journey' starts. Whenever data is transferred within that software, or between that software and another system or software program, including where this data is used to create and submit the VAT return, it must be transferred using a digital link.

When electronic data is received from a third party, such as a customer, HMRC would prefer the data to be imported electronically into the system or software program used to maintain the electronic VAT account. HMRC accepts this may not always be possible - as not all electronic data is formatted in such a way that the accounting system is able to read it. In these circumstances the relevant information may need to be captured manually. For audit purposes, linking the resultant transactional record to the original data (e.g. as an attachment) would be beneficial.

VAT Notice 700/22 offers the following as examples of digital links:

- emailing a spreadsheet containing digital records so the information can be imported into another software product
- transferring a set of digital records onto a portable device (for example, a memory stick or flash drive) and physically giving this to someone else who then imports that data into their software
- XML, CSV import and export, and download and upload of files
- automated data transfer
- API transfer

The above is not an exhaustive list.

There is a process to apply for extensions (not exemptions) to the soft-landing period for putting digital links in place. There are strict criteria that must be met for extensions to be successful.

The 700/22 VAT notice has more information on digital links, starting at section 4.2.1 The criteria and how to apply for an extension can be found in section 4.2.1.3.

<https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat#digital-record-keeping>

We recognise digital links can be a complex subject, so we are looking to provide more guidance on this topic and we will let you know more as soon as this is available.

Changes to the Trading Address boxes when creating new Agents Services Accounts (ASAs)

We know a number of sole proprietor agents who, after creating their ASA, are getting their business correspondence sent to their personal address because their account is linked to their UTR. The developers responsible for the ASA have made changes to the screens you're presented with when creating a new ASA to prevent this from happening.

We are also working on a solution for those agents who are already in this position – hopefully we will be able to update you on this in our next edition.

BETA This is a new service – your [feedback](#) will help us to improve it.

HM Revenue & Customs

Create an agent services account

Complete each section in turn. You can save your progress as you go.

1. Enter your money laundering compliance details

[Enter your money laundering compliance details](#)

COMPLETED

2. Enter your agent services account contact details

[Enter a contact email address](#)

COMPLETED

[Enter a trading name if you have one](#)

COMPLETED

[Enter a trading address if you have one](#)

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HM Revenue & Customs

[← Back](#)

Is this your main trading address?

98 High Street
Anytown
West Sussex
AA1 1AA

Yes - I want to use this address for all my agents services correspondence

No - I need to enter a different address

[Continue](#)

[◀ Back](#)

Find your main trading address

Property number or name (optional)

For example, 44 of The Mill

Postcode

For example, AB2 9WQ

[Enter an address manually](#)

Continue

[◀ Back](#)

Select your contact address

- 1 Some Road, Some Town,
- 2 Some Road, Some Town,
- 3 Some Road, Some Town,
- 4 Some Road, Some Town,
- 5 Some Road, Some Town,
- 6 Some Road, Some Town,
- 7 Some Road, Some Town,
- 8 Some Road, Some Town,
- 9 Some Road, Some Town,
- 10 Some Road, Some Town,

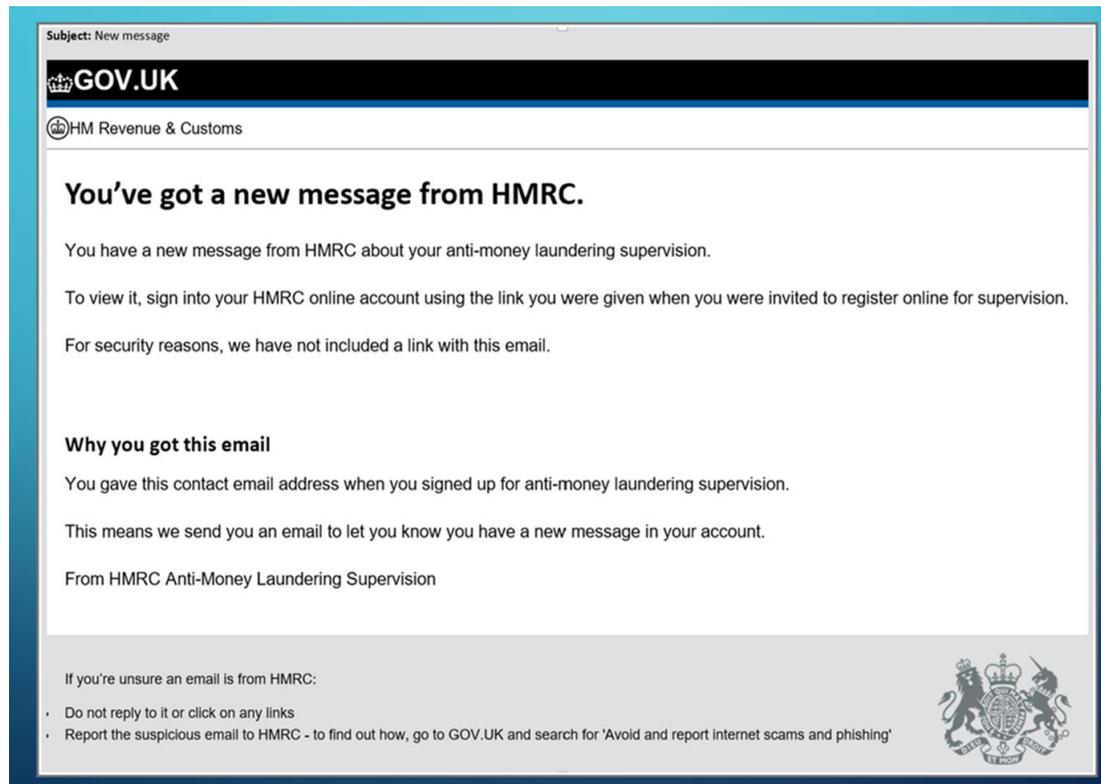
Continue

Anti-Money Laundering Supervision email

Some agents have been confused about the email below. This communication has not been sent out from Making Tax Digital.

We've been informed to direct agents to their 'old' HMRC online services account. Hopefully you will then understand why this has been sent and what you need to do next. We will update you when we know more. We are hoping the email will be

amended to make it clearer what service customers should be accessing as we appreciate it isn't clear.



Permitted adjustments

Some of you have been asking for a list of permitted adjustments that can be calculated separately outside of your digital records and transferred digitally or manually back into your MTD compliant software.

Import VAT certificates (C79s) are treated as an equivalent to a VAT invoice for import VAT. Therefore, the information contained in a C79 can be recorded manually on accounting software.

The list below is not exhaustive but (we believe) it covers the majority of areas.

- change of rate credit notes
- adjustments to VAT payable because of an increase or decrease in consideration of a supply made in previous period
- adjustments for use of an approved estimation procedure
- retail scheme adjustments
- partial exemption adjustments
- change of use input tax adjustments
- capital goods scheme adjustments for subsequent intervals
- Bad debt relief claims
- Aged creditor adjustments
- Tour Operators Margin Scheme (TOMS) adjustments
- Flat Rate Scheme (FRS) adjustments
- Global Accounting Margin Scheme adjustments

- Road fuel scale charges
- Private use adjustment

MTD related publications

The AccountancyAge article '*Digital revolution: How the pandemic is accelerating the adoption of tax technology*' considers whether COVID 19 may have speeded up the introduction of tax technology.

<https://www.accountancyage.com/2020/06/11/digital-revolution-how-the-pandemic-is-accelerating-the-adoption-of-tax-technology/>

Their report 'The future of tax' <https://www.accountancyage.com/resources/the-future-of-tax-a-tax-professionals-survey-2020/> downloadable as a PDF contains several interesting facts and figures.

Both reports are well worth a read if you've got the time.

In addition to the aforementioned evaluation report, a number of research reports covering a wide range of subjects were also released in March. They can be found at <https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital#review-and-research>.

The 2019 BEIS Survey of Small Business was published on 4 June.

<https://www.gov.uk/government/collections/small-business-survey-reports#2019>

Key findings of this year's publication include:

- Use of software is highest amongst small businesses with employees, with 7 in 10 of VAT and CT businesses reporting use of record keeping software.
- There has been an overall increase in the use of record keeping software overall from 2018 to 2019, following the introduction of MTD for VAT in April 2019.
- Paper based record keeping is higher amongst small businesses with zero employees for ITSA.

Webinars

Our webinar programme is recommencing. We currently have 2 scheduled for business customers on MTD for Income Tax. Please make your sole trader / landlord customers aware if you think they'd be interested. The dates are:

Wednesday 29 July at 9:45 am and Thursday 13 August at 11:15 am.

Registration for these webinars is via the 'Help and Support for Making Tax Digital' page on GOV.UK: <https://www.gov.uk/guidance/help-and-support-for-making-tax-digital> under the 'Making Tax Digital for Income Tax' section.

Or use the link below to go straight to the registration page for these webinars:
<https://register.gotowebinar.com/rt/5798060572582050830?source=Gov>

We welcome your thoughts on topics we should cover in future webinars. Please email makingtaxdigital.mailbox@hmrc.gov.uk with any suggestions.

Useful links

[Making Tax Digital for VAT \(GOV.UK Collection\)](#)

[Making Tax Digital for VAT as an agent: step by step](#)

[Check when a business must follow the rules for Making Tax Digital for VAT](#)

[Find software that's compatible with Making Tax Digital for VAT](#)

[Create an agent services account](#)

[Register with HMRC to use an agent services account](#)

[Sign in to your agent services account](#)

[Sign up your client for Making Tax Digital for VAT](#)

[Keep digital records for Making Tax Digital for VAT](#)

[Manage your client's details for Making Tax Digital for VAT](#)

[Sign your business up for Making Tax Digital for VAT](#)

[Help and support for Making Tax Digital](#)

[VAT Notice 700/22: Making Tax Digital for VAT](#)

[Making Tax Digital - Policy paper](#)

[Making Tax Digital for VAT: service availability and issues](#)