Making Tax Digital
for VAT checklist

All VAT registered businesses need to follow the Making Tax Digital (MTD) for VAT rules (unless they are exempt). First time using MTD for VAT and unsure what to do? Follow the steps below to help you get started with your new VAT Return processes.

1. 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.

2. 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.

3. 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.

4. 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 still need to use software for your VAT accounting. You need to keep your VAT accounting records digitally now. Talk to your accountant to see how they can help you.

5. 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.

6. 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 the software you use.

Sage