

Cheat sheet:

Making Tax Digital

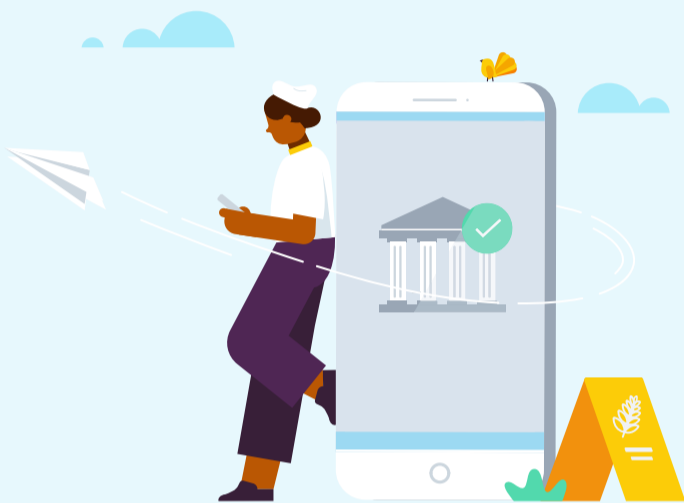
Can I sign up to Making Tax Digital before April 2022?

Yes you can, but note that VAT registered businesses are now automatically signed up to MTD for VAT. If you're signed up for VAT, you no longer need to register for MTD for VAT. If you're not VAT registered and you want to sign up voluntarily, you will need to keep digital records if you aren't already doing so. Once you have signed up, you can't go back so can only file under MTD for VAT.



Will I need to register for Making Tax Digital if my business is below the VAT threshold?

Not until April 2022. Unless your turnover exceeds the £85,000 VAT threshold, you do not have to register for VAT. However, if your business turnover is above £50,000 you will have to register for MTD for Income Tax Self Assessment (ITSA) from April 2026.



What's the next phase for Making Tax Digital?

Making Tax Digital for VAT will come in from April 2022 for all VAT registered businesses regardless of turnover. After VAT, the next tax to fall into MTD will be Income Tax Self Assessment from April 2026, which will apply to businesses and landlords with turnover above £50,000. Those with an annual turnover above £30,000 will follow in April 2027.

April		April	
May		May	
June		June	
	2819.74		1342.87
2819.74 - 1342.87 = 1476.87			



What is the VAT threshold for Making Tax Digital?

Currently the VAT registration threshold is £85,000. If you are currently registered for VAT but your turnover is below the registration threshold of £85,000, HMRC will automatically sign you up for MTD for VAT.

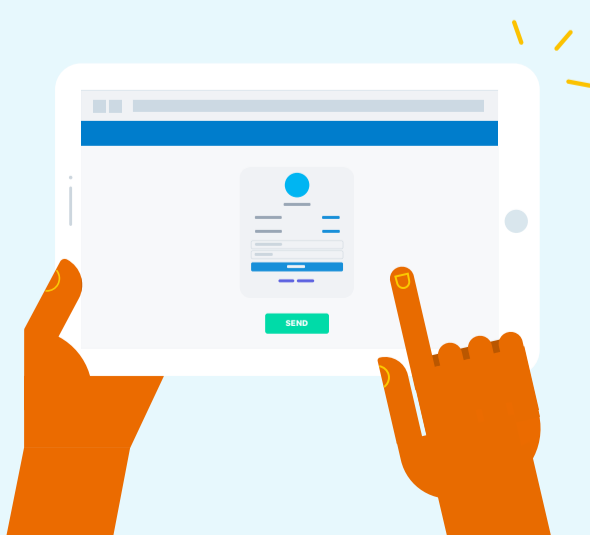
Is Xero ready for MTD Income Tax Self Assessment (ITSA) now?

Xero is committed to being ready to support MTD for ITSA as HMRC rolls out its pilot programme. Please stay tuned as we will be providing more information over the coming months.



If I sign up to Making Tax Digital, can HMRC go in to my Xero account with out me knowing?

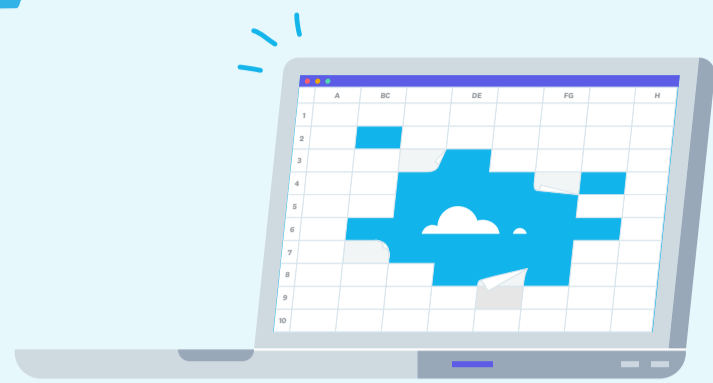
No. Only the data you submit on your VAT return is sent to HMRC. They are not able to access your Xero account.





How do I record shop cash and credit card sales digitally? I currently record these on an Excel spreadsheet.

Your shop cash and credit card sales will need to be entered as daily totals in your software or spreadsheet under MTD for VAT to comply with the need for digital links.

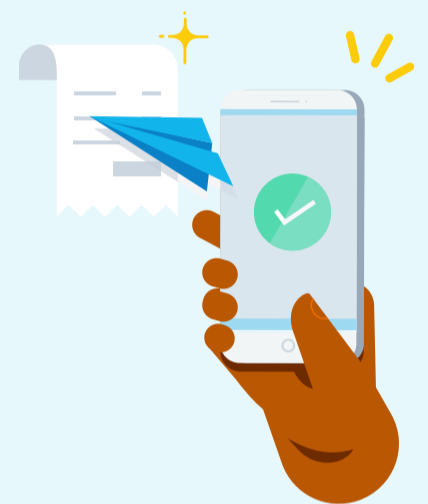


From day one I have been uploading digital copies of all invoices and receipts. Do I have to keep the paper copies?

As long as you have digital copies of all invoices and receipts to support the information in your system, you don't need to keep a paper copy.

Is keeping records in Excel acceptable as 'digital' records?

Yes, but you cannot use the cut and paste functionality in Excel as this doesn't count as a digital link. If you need to copy figures in your spreadsheet you must use formulas. You will also need to keep either digital or physical copies of invoices and receipts to support the figures in the spreadsheet.

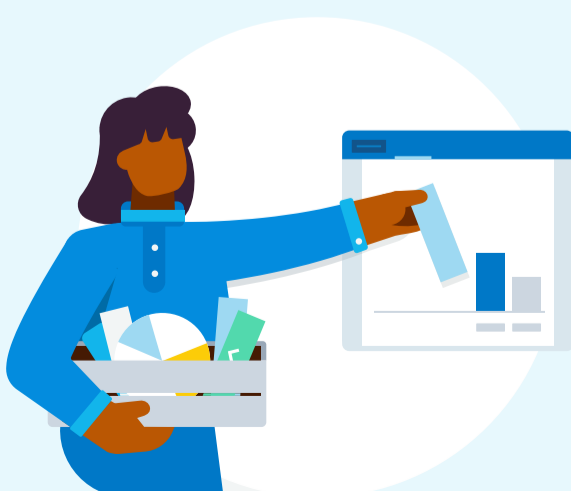
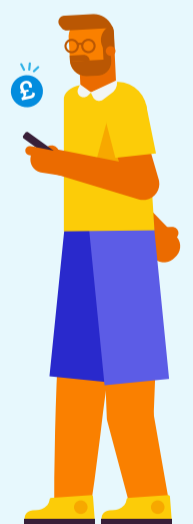


Does it meet Making Tax Digital requirements if I have paper purchase and sales invoices, then input data in Xero and use Xero to file the return?

Yes, storing your sales and purchase information data in Xero would meet the requirements for digital record keeping as you still maintain supporting evidence for the postings in the software with physical paper copies of invoices and receipts.

Historically we have entered sales on a weekly or monthly basis into Xero. Am I right in thinking this won't meet MTD requirements and takings for retail or hospitality business need to a DAILY amount?

Under MTD these takings have to be entered as daily totals. These daily totals don't have to be entered at the end of each day so you can just post these entries when you would normally do your bookkeeping. Weekly or monthly totals will not be compliant with MTD record keeping requirements.



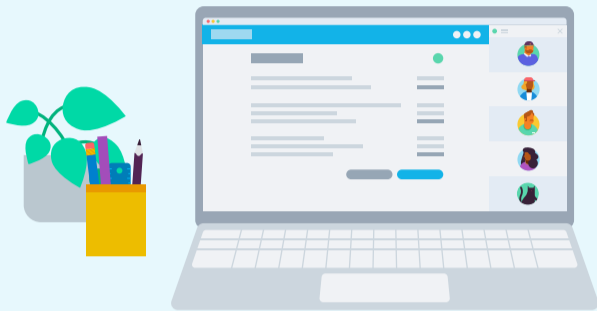
Please clarify which are the first VAT returns to be filed under MTD after next April - does it refer to the filing date or the VAT period dates?

This relates to the first VAT period start date on or after 1 April 2022. For example, if your previous VAT quarter was 1 March 2022 to 31 May 2022 then your first mandated VAT quarter under MTD would be 1 June 2022 to 31 August 2022.



Bridging software was originally meant to be a temporary solution but seems to have been acceptable longer than the original intention. Is there a planned date on which bridging software will no longer be an acceptable method of submitting a VAT return?

HMRC currently have no plans to remove the use of spreadsheets and bridging software as an acceptable method of submitting a VAT return.

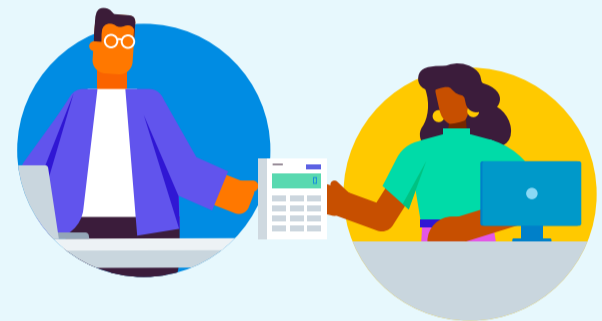


How does the bridging software work in Xero?

More information regarding Xero's bridging solution can be found at <https://central.xero.com/s/article/Use-Xero-as-a-bridging-solution-to-file-MTD-VAT-returns>

Will the Flat Rate Scheme still operate?

Yes. The Flat Rate Scheme will continue to operate.

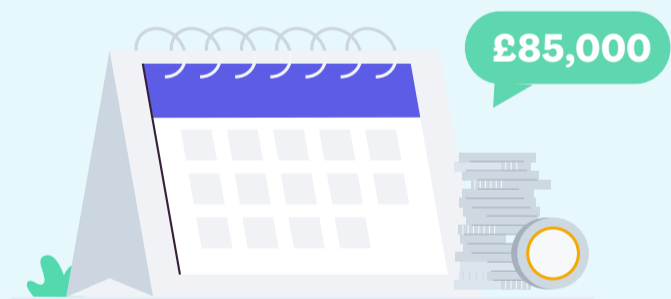


The email from Xero mentioned that there have been changes to the digital links rules - what are these changes?

Details of these changes can be found in 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>)

Is the £85,000 turnover threshold a rolling month by month check or once a year?

The £85,000 VAT registration threshold is calculated on a rolling 12 month calculation.



If you make an error with a VAT claim and haven't realised until after you've sent the return, is there any way to amend it?

You can adjust your next VAT return if the net value of the errors is £10,000 or less. You can also adjust your next VAT return if your error amount is up to 1% of your box 6 figure (up to a maximum of £50,000). If the error is above this threshold, you will need to fill out form VAT652 and send it to the VAT Error Correction Team.

Xero helps you follow and meet HMRC's rules and requirements for Making Tax Digital for VAT