Dear Agent,

Welcome to edition number 14 of our Making Tax Digital (MTD) Update for Agents.

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.

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1. Launch of MTD for Corporation Tax Consultation

In July, the Government published ‘Building a trusted, modern tax administration system’, which set out a vision for the future of tax administration in the United Kingdom, designed to improve its resilience, effectiveness and support for taxpayers.

As part of this we announced a progressive extension of Making Tax Digital (MTD), notifying our intention to consult later in the year on the design of what the MTD system should look like for Corporation Tax (CT).

We remain committed to extending the associated benefits to businesses that have incorporated to become companies. As businesses increasingly embrace digital ways of working, we have launched the consultation on the design of MTD for Corporation Tax. This consultation will remain open for 16 weeks. Further information can be found here:


We are keen to ensure that stakeholder views shape the design of MTD for CT from the start and would like to encourage a broad range of stakeholders to contribute their thoughts on the CT proposals. We invite views and engagement through several methods, including via email and post (contact details for this can be found in the consultation document).

We set out HMRC’s proposed design of MTD for those entities within the charge to CT in a comprehensive consultation document, published on GOV.UK and available from the link above.

We will also be publishing a shorter and summarised version on GOV.UK in the coming months to ensure that all businesses and stakeholders have the opportunity to contribute.

Following the consultation, we will work collaboratively with stakeholders to integrate the lessons we have learned from MTD for VAT and ITSA into the design of MTD for CT, and to refine the MTD for CT scope and requirements.

We will also be providing entities with the opportunity to take part in a pilot of MTD for CT in advance of mandation. This pilot will present opportunities to experience and review the proposed design of the system, and for us to make improvements to that system based on feedback. The mandation of MTD for CT will then follow, but not before 2026.

The Written Ministerial Statement launching the consultation can be found here, and the consultation itself is here.
From April 2023, unincorporated businesses and landlords who submit ITSA returns and have annual gross income from business or property sources of £10,000 or more will need to follow the rules for MTD.

The process and timelines will remain very similar, but there are some differences that you need to be aware so that you are ready well in advance of April 2023.

As agents you may be currently be submitting your client’s information through a software product or keying it into the government gateway – for some agents the changes will not affect their ways of working.

There will be three Key Changes –

- Digital record keeping.
- Quarterly updates.
- Submitted by software.

There is a pilot in place to test the service, working with software vendors and some of their eligible customers to identify and resolve any issues and improve the customer experience.

We encourage new customers to join the Pilot, once they are keeping digital records and using MTD compatible software, ensuring they meet the eligibility in place at the time.

The Pilot is currently open to sole trader income from one business or landlord, but we are planning to expand the pilot. This will be updated on GOV.uk in due course. If not eligible to join now you can still start keeping digital records and a first step.

For more information –
https://www.gov.uk/guidance/sign-up-your-business-for-making-tax-digital-for-income-tax

MTD Agent Services have completed a piece of work to review and amend the authorisation content that is shown to a customer when authorising their agent to act on their behalf for ITSA.

We’ve made some improvements to make it clearer what the authorisation covers the agent to do on behalf of their client.

Please see screenshots below:
As part of our transformation, we are introducing a new VAT Registration Service over the coming months. This has started with UK Limited Companies and will be expanded to include more and different types of businesses. If during the new registration process, a business indicates that their taxable turnover is above £85,000 they will be directed to sign up for MTD.

If turnover is under £85,000, they will have the option to go via the MTD route.

Agents are not currently able to use this new VAT Registration Service.
What are we doing and why?

From March 2021 HMRC will move all remaining VAT customers from the existing VAT Mainframe (VMF) on to the new Enterprise Tax Management Platform (ETMP).

Customers who have already signed up to Making Tax Digital (MTD) are not affected by this change and do not need to take any action.

Any VAT businesses with taxable turnover above £85,000 who have not yet signed up to MTD must do so now or they may be charged a penalty. Further guidance on penalties is available at:

https://www.gov.uk/vat-returns/surcharges-and-penalties

Agents will need to take action before 28 February 2021 in preparation for this move. Businesses may also need take action.

MTD for VAT will be extended to include businesses with taxable turnover below £85,000 from April 2022. Further information on signing up to MTD is available at:

https://www.gov.uk/guidance/sign-your-business-up-for-making-tax-digital-for-vat

Agents

After migration to the new tax platform, agents will not be able to use the agent online Government Gateway for their VAT clients. Instead, they must file their clients VAT returns through the Agent Service Account (ASA), using the existing link within the ASA (‘Your Client’s VAT details’, ‘Submit VAT return’), to submit returns on behalf of a client.

Agents who haven’t already done so must therefore create an ASA and copy across all their VAT customers to it. This can be done at: https://www.gov.uk/guidance/get-an-hmrc-agent-services-account

This means that from March 2021 agents will need to file their clients VAT returns who are not yet signed up to MTD for VAT in one of two ways, depending on whether they have been migrated to ETMP or not.

Agents will need to check using method (a) whether they are able to file or not, and if not, use method (b).

(a) through agent online services for clients who haven’t yet been migrated, or
(b) through an ASA for clients who have been migrated.

What businesses who file their own VAT returns will need to do

Business should continue to file their VAT returns through their Business Tax Account as normal. Further information on Business Tax Account is available at:

https://www.gov.uk/guidance/sign-in-to-your-hmrc-business-tax-account

They may notice a change in how the service looks after their records move to the new platform.
**Businesses who pay their VAT by Direct Debit**

HMRC will need a valid and current email address for customers wishing to continue to use Direct Debit. This allows HMRC to comply with UK banking regulations requiring them to notify customers of the date and amount to be taken by Direct Debit (we have chosen to do this by email).

HMRC will therefore request affected customers to provide this information, ideally via their Business Tax Account. This will reduce calls to the VAT helpline and minimise call waiting times for customers.

Without a valid email address, HMRC will be unable to collect VAT payments.

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**6. VAT filing and payment obligations**

As part of the Winter Economy Plan, the Government announced that businesses who deferred VAT due from 20 March to 30 June 2020 will now have the option to pay in smaller payments over a longer period. Instead of paying the full amount by the end of March 2021, businesses can make smaller payments up to the end of March 2022, interest free. They will need to opt-in to the scheme, and for those who do, this means that their deferred VAT liabilities do not need to be paid by the end of March 2021.

The VAT Deferral New Payment Scheme will require a Direct Debit to be set up as part of the digital opt-in process and this must be done by the authorised bank account holder. Because of that, HMRC is unable to provide an agent service for the scheme. We will communicate the details of the VAT deferral new payment scheme and its operation at the earliest opportunity to allow agents to appropriately advise and support their clients both prior to and during the opt-in process.

Businesses that can pay their deferred VAT should still do so by 31 March 2021.

The VAT payments deferral scheme ended on 30 June and all VAT customers, including MTD customers, are required to file and pay on time.

Customers face a penalty as well as being charged interest on any tax that is due if they do not meet their VAT obligations.


If a business needs more help to pay their VAT, they may be eligible to get support with their tax affairs through HMRC’s Time To Pay (TTP) service. More information can be found at [https://www.gov.uk/difficulties-paying-hmrc](https://www.gov.uk/difficulties-paying-hmrc).


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**7. MTD VAT Sign-up Final Reminders**

In September we wrote to all VAT customers who are mandated for MTD for VAT but who have not yet signed up. The letter was a final reminder in a series of letters issued to businesses and stated that if they do not start using MTD before their next VAT filing deadline, HMRC may charge penalties.
We also wrote to some VAT businesses where it is not clear from the data we hold what their taxable turnover is providing the facility for them to declare if it if this is the case below £85,000 via an online Google form. We will update our records on receipt of these declarations which will mean that those businesses will not receive ongoing reminders, unless there is a change to their turnover.

From April 2022, businesses with taxable turnover below £85,000 are mandated to MTD VAT.

8. MTD Account showing amount due incorrectly

We have updated our systems to prevent credits being assigned to deferred VAT liabilities. This may result in some amounts showing as outstanding in MTDFB Customer accounts despite having been paid. This update will be reversed at the end of the VAT Deferral period (31/03/2021).

Actions
Check that the payment relates to a deferred VAT liability and that the payment has been received.

(Account Balance – Account Balance Additional Selection – Chronology)
Example shown shows the payment of £9,002.42 being received but the padlock indicates this has not been assigned.

Example

<table>
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<tr>
<th>Due date</th>
<th>Text</th>
<th>Cur</th>
<th>Debit</th>
<th>CreditMemo</th>
<th>Curr.bal.</th>
<th>Down Pymt</th>
<th>CurrDwrPymt</th>
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<td>Payment Order Lot</td>
<td>GBP</td>
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<tr>
<td>28.06.2020</td>
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<td>GBP</td>
<td>9,002.42</td>
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<td>0.00</td>
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<td></td>
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<tr>
<td></td>
<td>Balance per 22.07.20</td>
<td>GBP</td>
<td>31,389.77</td>
<td>31,389.77</td>
<td>0.00</td>
<td>0.00</td>
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</tr>
<tr>
<td>07.08.2020</td>
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<td>31,389.77</td>
<td>7,606.73</td>
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</tbody>
</table>

Due to COVID 19 we have updated our systems to prevent credits being assigned to deferred VAT liabilities. This has resulted in some amounts showing as outstanding in your MTD account despite having been paid. There is nothing to worry about in relation to this amount. The systems update will be reversed on 31/03/2021 at the end of the deferral period.
9. Webinars

We continue to run MTD for ITSA webinars. These are proving very popular with an average of over 1,000 businesses on each one so far. Predominantly aimed at the business owners you may wish to encourage your clients to join one of the webinars soon.

We are working on an ITSA webinar for Agent Talking Points and we know that agents will want more specific detail about the processes, have screenshots etc. This will take time as we are still building functionality all the time.

We would likely look at Spring before holding an Agent Talking Points webinar, but we would very much welcome your thoughts on what should be covered. Please let us know.

Our next Making Tax Digital for Income Tax Business webinars are due to be held –

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<th>Subject</th>
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<td>Making Tax Digital for Income Tax</td>
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<tr>
<td>07.12.2020</td>
<td>09:45</td>
<td>Making Tax Digital for Income Tax</td>
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These dates are still to be confirmed and may be subject to change.

Registration or these webinars is via this GOV.UK page:

You can also see details and watch previous ITSA webinars –
https://register.gotowebinar.com/rt/5798060572582050830?source=Gov -

10. Useful Links

Help and support for Making Tax Digital

HMRC service availability and issues page on GOV.UK.

Sign in to your agent services account

Making Tax Digital for Corporation Tax

Consultations Making Tax Digital for Corporation Tax

Sign Your Client Up for Making Tax Digital ITSA

Follow the Rules for Making Tax Digital ITSA

Find Software that is Compatible with Making Tax Digital ITSA

Making Tax Digital for VAT

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

Sign up your client for Making Tax Digital for VAT

Keep digital records for Making Tax Digital for VAT

Sign your business up for Making Tax Digital for VAT

Making Tax Digital for VAT: service availability and issues