

MAKING TAX DIGITAL INSIGHT

AN UPDATE ON
DIGITAL LINKS

Making Tax Digital (MTD) has been in place for a few months now, and many businesses think they are compliant. But with just over three months before the 'soft-landing' period ends on 1 April 2020, it is very important that your business is ready to deal with digital record keeping, to avoid any penalties and associated inconvenience to you and your staff.

The end of the 'soft landing' period means quite a dramatic change for many businesses, and one that some have not considered yet. In simple terms, **all financial systems will need to be digitally linked**. So, if you use multiple software packages to track your finances or create your invoices in one piece of software but record the rest in another then you will need to make some changes to meet the submission requirements.

The three big issues:

- **Your software needs to be compatible with HMRC.** VAT returns need to be submitted via the Application Programming Interface (API) platform, not via HMRC's website.
- **If your software is not compliant with MTD then you may need to install some bridging software** which will allow you to connect a non-compliant system such as Excel, with HMRC.
- **If you use more than one software package, then you need to link them** so that all data is connected digitally with no manual breaks in the links.

HMRC accepts that the following are 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 pen drive, memory stick, 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

This list is not exhaustive. Please note that; HMRC does not consider the use of 'cut and paste' or 'copy and paste' to select and move information, either within a software program or between software programs, to be a digital link.

I can't meet the deadline; can I apply for an extension?

HMRC appreciates that businesses with complex or legacy IT software may require longer to get the digital links in place across all their software. These businesses can apply for an extension, but this extension will only be granted if a specific criterion is met. To be considered for an extension you will need to:

- make a formal application to HMRC as soon as possible for an extension and by no later than the end of your soft-landing period
- explain why it is unachievable and not reasonable for you to have digital links in place by the MTD VAT digital links mandation date (in April 2020 or October 2020, for businesses mandated to join MTD in 2019). For example, why does commercially available software not meet the digital link requirement for your business?
- submit details of the systems that are unable to be digitally linked (provide a current map of your existing VAT systems, highlighting the exact areas that cannot be digitally linked)
- provide a clear explanation and timetable for when and how you will become fully MTD compliant (ordinarily no later than one year from the end of their soft-landing period)
- state the controls you will put in place to ensure any manually transferred data is moved accurately and without error

Do I need to do this? What happens if I don't comply?

Yes, this is a legal requirement for all businesses that are VAT registered and you will need to ensure that the digital links are in place before the end of the soft-landing period. If you aren't fulfilling your MTD responsibilities, then you will be liable to penalties or fines from HRMC.

How can Scrutton Bland help?

We can help you meet the digital record keeping law by reviewing your current software set up, help you adopt software that is compliant, or help you apply for an extension with HMRC.

To understand the various options available to you and how we may be able to help you and your business introduce digital processes and systems as simply as possible please contact **Ryan Percy** on **0330 058 6559** or email **hello@scruttonbland.co.uk**



www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat

0330 058 6559
scruttonbland.co.uk

  @scruttonbland