

## MAKING TAX DIGITAL MARCH 2017 UPDATE: VAT REPORTING STARTS APRIL 2019

HMRC has confirmed that all sole traders, the self employed and landlords will have to start reporting VAT quarterly through Making Tax Digital from April 2019.

This follows the delay to mandatory reporting for unincorporated businesses and individual taxpayers who are not registered for VAT and clarifies the announcement made at the Budget on 8 March.

Effectively, from April 2019, VAT reporting will be embedded in the Making Tax Digital system and all returns, with a few exceptions for those unable to comply, will have to be made electronically via the new quarterly reporting system.

By 2019, it will be compulsory for sole traders, the self employed and landlords with annual income above a £10,000 threshold, including those not registered for VAT, to use the Making Tax Digital system for quarterly reporting.

So far, the government has not made a final decision on whether the entry-level for Making Tax Digital will remain at the £10,000 threshold, following calls to raise this to the VAT threshold, which will be £85,000 from the 2017/18 tax year.

A decision on the final threshold will have to be made before the final Finance Bill 2017 draft legislation is issued as this figure will have to be included in the legislation in the annual finance bill, due for enactment in July.

Incorporated businesses will have to start using the system at a later date, and all businesses, bar the largest companies and partnerships with turnovers above £10m, will have to quarterly report using Making Tax Digital.

The consultation on the quarterly reporting process for incorporated businesses has still not been released.

Full details of the HMRC penalty scheme for non-compliance with Making Tax Digital is due for release on 20 March, which is likely to set out a 'traffic light' based system of penalties, based on levels of compliance.