**Summary of CTG meeting with HMRC on Making Tax Digital (MTD) – 11 October 2017**

HMRC’s objective is to reduce taxpayer information processing errors. Using digital accounting processes is key to this.

MTD for corporation tax has been deferred to an undetermined future date. HMRC will formally consult on the policy design before implementing any changes. Subject to this, when introduced, charities will be exempt, but their subsidiaries will have to comply with MTD.

MTD will apply for VAT from April 2019 for charities and their subsidiaries (subject to the exemption for all businesses whose taxable supplies are below the VAT registration threshold of £85k).

This means:

1. All prime records must be kept in electronic format, and should include any adjustments made.
2. Each step in the accounting process after inputting source data must be digitally managed. In other words, after inputting invoices, journals etc., software programs must sort and consolidate data right the way through to uploading the VAT return totals to HMRC. The current HMRC portal will be ‘closed’ for taxpayers within MTD with VAT return data being submitted direct to HMRC systems. Data transfer between digital accounting records and, say, excel working sheets to apply a partial exemption method, must be by electronic links.
3. Functional compatible software will be required to communicate between the charity’s digital records and HMRC. HMRC will not provide this software but instead software companies are working with HMRC to update their accounting packages or provide stand-alone linking tools.
4. HMRC will be able to digitally examine the 9-Box VAT return data as it reaches their systems, but it will not be able to access your underlying data. HMRC will encourage taxpayers to voluntarily provide some additional information to aid a better understanding of their VAT position.
5. In time HMRC will sense check the data it receives at the point of submission and prompt a question or request further data if there appears to be an inconsistency with previous information or an anomaly.
6. HMRC will be piloting the changes from Spring 2018 and is keen to ensure a wide range of different organisations, including charities, take part in that pilot to ensure everything is thoroughly tested ahead of mandation from April 2019. We will be working with HMRC to help support this.

**CTG – 23 October 2017**