



MAKING TAX DIGITAL: DRAFT VALUE ADDED TAX (AMENDMENT) REGULATIONS AND NOTICE 2018

Issued 9 February 2018

ICAEW welcomes the opportunity to comment on the *Making Tax Digital: Draft Value Added Tax (amendment) regulations and notice 2018* published by HMRC on 18 December 2017, a copy of which is available from this [link](#).

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ICAEW REPRESENTATION 18/18 – MAKING TAX DIGITAL: DRAFT VALUE ADDED TAX (AMENDMENT) REGULATIONS AND NOTICE 2018

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MAJOR POINTS

1. **Mandation.** ICAEW fully supports HMRC's digital transformation initiative, but we believe that MTD should be voluntary. We want to help HMRC make MTD a success and welcomed the assurance from the Financial Secretary to the Treasury that MTD will not be made mandatory for income tax or corporation tax until the programme is working well. This principle should naturally also apply to VAT.
2. **Identifying the benefits of MTD for business.** More work is needed to identify and demonstrate the benefits of MTD to business. Businesses will adopt digitalisation where they see clear benefits in the form of convenience, accuracy, time saving and prompts.
3. **HMRC resources.** We are concerned about the capacity to successfully deliver MTD for VAT alongside Brexit and HMRC's transformation project. We would welcome early clarification about whether the MTD timetable will continue as planned. Consideration should be given to deferring the start date until the outcome of HMRC's review of its resources is known and the implications of Brexit are clearer (see below). Businesses need certainty in order to plan.
4. **More time for preparation.** We are concerned about whether there is now sufficient time to make MTD for VAT fully functional from April 2019. The legislation, software development and the pilot have been delayed and MTD for VAT should only be launched formally when the pilots show that the system is working as envisaged.
5. **Start date.** Businesses adopting accounting software for the first time, or that need to change software supplier to one that is MTD compatible, will usually plan to use that new software from the start of a new accounting period for income or corporation tax. We recommend that the start date of MTD for VAT is by reference to the start of the first VAT accounting period beginning on or after the start of a business's first accounting period for income or corporation tax that commences on or after 1 April 2019. Changing mid-way through an accounting period increases the chances of error.
6. **Pilot.** The pilot is now expected to start in April 2018 and in the first few months will include at most a few hundred businesses. We recommend that the pilot period should be extended over a longer period that allows as a minimum for four VAT returns to be filed by a significant number of businesses to include all sizes and sectors. It is more important to get the system right than to get it fast.
7. **Digital Links.** The addendum to the draft VAT notice on MTD for VAT indicates that HMRC anticipates a soft landing period of 12 months from the 2019 start date to allow businesses to upgrade systems so that links between software are digital. This is not long enough for more complex businesses or for businesses that outsource record keeping. We think that businesses should be given at least two years from mandate to be fully compliant and that this should be given legal force.
8. **Supporting agents to help make MTD succeed.** Agents help make the tax system work and, as powerful advocates for change, are essential to MTD's success. We wholeheartedly endorse HMRC's position that tax agents should be able to see and do all that their clients can see and do. Agents therefore need to have access to MTD for VAT as soon as access is available to businesses. This is a key lesson from RTI and one HMRC identified in its RTI Post Implementation Review.

9. **Brexit.** The UK is expected to leave the EU in March 2019 which coincides with the plan for MTD for VAT requirements becoming mandatory. We are very concerned that this will place a considerable strain on the resources of HMRC to successfully deliver MTD for VAT. Consideration should be given to deferring MTD for VAT until the post-Brexit rules for VAT have settled.
10. **Businesses newly registering for VAT will need more time.** Existing businesses that exceed the VAT threshold for the first time and register compulsorily will have a very limited period in which to acquire and implement MTD compliant software. To allow for a reasonable transitional period, we recommend that, as in the draft regulations for MTD for income tax, there should be a period of 12 months between the need to register and the need to meet MTD for VAT requirements.
11. **Implementation of MTD for other taxes.** Any decision to mandate MTD for income tax and corporation tax should not be made solely by reference to the results of MTD for VAT but instead be informed by the results of those pilots. The types of businesses potentially in MTD for income tax differ significantly from those in MTD for VAT and it is the success and experience of those pilots that should be the main factor in deciding on how MTD for income tax and corporation tax are implemented.
12. **Understanding the tax gap.** We understand that one of the main policy drivers behind MTD is to close the tax gap that relates to errors and failure to take reasonable care by small businesses. We also understand that most of the gap relates to businesses trading below the VAT registration threshold. We would welcome the opportunity for further engagement with HMRC on this issue because it is a problem that needs to be addressed regardless of MTD. In the meantime, HMRC should publish details of common errors made by businesses and agents to help eliminate them.
13. **Security and other concerns.** Many businesses and agents are extremely concerned about the security of the large amounts of data that will be held in the cloud and which will be transferred between HMRC and businesses on a regular basis. We would be happy to work with HMRC on how these concerns should be addressed and on communications to reassure taxpayers about contingency planning in the event of cyber attacks. We suggest that HMRC also provides further clarity on situations where problems arise, such as where systems fail or data gets corrupted, particularly in relation to penalties.

GENERAL POINTS

Mandation

14. ICAEW is fully supportive of HMRC's digital transformation initiative, but remains of the view that MTD should be voluntary not mandatory. Businesses will willingly adopt digitalisation where they see clear benefits but more needs to be done to articulate a clear business case for MTD. We welcomed the assurance from the Financial Secretary to the Treasury that MTD will not be made mandatory for income tax or corporation tax until the programme is working well and we believe that this assurance should apply equally to VAT.

Identifying the benefits of MTD for business

15. More work is needed to identify and demonstrate the benefits of MTD to business. From the outset HMRC has said that it wishes to respond to the demands of businesses for better digital tax administration. Businesses will adopt digitalisation where they see clear benefits in the form of convenience, accuracy, time saving and prompts; to avoid any perception that the gains from MTD are HMRC's alone, these features need to be seen from the launch of MTD for VAT.

HMRC resources

16. We note the comments made by Jon Thompson, CEO of HMRC, to the Public Accounts Committee and the report of that committee published on 12 January 2018 that acknowledges that HMRC is to review its transformation plans as it does not have the capacity to complete these plans alongside Brexit related projects and will need to prioritise. In the light of these comments, we would welcome confirmation as to whether the existing timetable for the roll-out of MTD for VAT will continue as planned, or whether it might be deferred until the outcome of this review is known.

Start date

17. More generally, we are concerned that there is not time for business and the software industry to prepare for MTD for VAT being made mandatory from April 2019. While we appreciate that this date is consistent with the original timetable, the legislation, software development and the pilot have been considerably delayed as compared to the original plans. Again, consideration should be given to deferring the start date for MTD for VAT until the pilots show that the system is up and running and working correctly.
18. Only 12% of VAT returns are currently filed directly from software, in many cases because of lack of functionality. Few businesses are able to rely on software to produce a correct and complete VAT return every quarter without any further adjustment. Because most businesses use the government gateway portal to file VAT returns, this will not show how records are being kept or their readiness to comply with MTD requirements.
19. The preparation and submission of VAT returns will rely on the same underlying accounting records as those used for all other purposes. If a business currently keeps paper records, the business will be starting from scratch in the requirement to keep records electronically.
20. Businesses adopting accounting software for the first time, or that need to change software supplier to one that is MTD compatible, will usually plan to use that new software from the start of a new accounting period that will usually also coincide with a new accounting period for income or corporation tax.

21. For example, a business with a 30 June year-end and with a March/June/September/December VAT stagger group would need to have software in place by 1 July 2018 in preparation for their first mandatory MTD VAT return for the quarter ended June 2019 if they are to avoid a mid-accounting period change of software. This is now too short a period given the long lead times needed to review available systems and test them thoroughly before implementation.
22. To help businesses in this position transition to MTD, we recommend that their start date for MTD for VAT should be based on the start of the first VAT accounting period beginning on or after the start of a business's first accounting period for income or corporation tax that commences on or after 1 April 2019.

Pilot

23. The pilot is now expected to start in April 2018 but, in the first few months, it will include at most a few hundred businesses. Large and complex cases will be excluded as will businesses that regularly claim repayments. We understand the reasons why HMRC needs to control entry, but it does mean that only a small number of certain types of businesses will have tested the systems and processes for a full year before mandation. Also, no businesses will have submitted four VAT returns as part of the pilot by 1 April 2019, subject to consideration of deferring the start date beyond 1 April 2019.
24. The software is being developed using an agile approach. It may be some months after April 2018 before all the APIs have been incorporated and tested and there is full functionality and a stable robust system in place.
25. Consideration should be given to extending the pilot period over a longer period to allow a minimum for four VAT returns to be filed across all business sizes and sectors.
26. Many VAT payments are made by direct debit following the submission of a VAT return. At the moment it is clear from the VAT return how much tax will be collected and when. We presume this will also be made clear during the pilot. Participants will need to have confidence that they are paying the correct amount at the right time.

Software choices and development

27. We are concerned about the timescales to make software choices in the time available. A business that is already using software can speak to their current supplier, but businesses that are not already using software or that may need to change supplier will need more help.
28. The current software lists on gov.uk need to be made more helpful. We appreciate that HMRC cannot recommend products but consideration should be given to provide a tool that will filter the list based on functionality.
29. This information will be needed well in advance of mandation particularly because, as noted above, businesses will generally want to adopt new software from the start of an accounting period for income or corporation tax.
30. There are some types of business for which suitable software may not be available by 2019; these are mainly businesses using the various margin schemes. Some larger businesses and organisations will need to develop bespoke solutions and this will generally take at least 18 months from when the full requirements and suite of APIs are available.

31. We are aware that some software packages which currently have the functionality for direct filing of VAT returns do not deal correctly with the situation where a trader switches between schemes, for example, from flat rate to standard VAT reporting or between cash and accrual accounting. We recommend that the software specifications for MTD for VAT are drafted to ensure that such situations are handled correctly in MTD software.
32. MTD for VAT software may be developed in isolation from MTD for income tax and corporation tax software. If a business is adopting accounting software for the first time, or wishes to change its provider, it may not have a way of ensuring that the software choice it makes for VAT is future-proofed against changes for MTD for income tax and corporation tax. This could lead to additional and possibly abortive costs for businesses.
33. We understand that HMRC intends to close government gateway access to the online VAT return for traders that are in scope for MTD for VAT. Careful planning will be needed to ensure that HMRC correctly identifies the traders that are in scope and that access is not withdrawn prematurely, particularly where returns are filed by agents.
34. We understand that before a VAT return can be filed, the API enabled software product or spreadsheet must receive an authentication message via HMRC's API platform; any breakdown in this process would cause significant difficulties for businesses and HMRC. We recommend that HMRC retains the flexibility to make access to the government gateway online VAT return available where required so that there is a fall-back to ensure that all VAT returns can be filed. Exchequer receipts from VAT could be at risk if businesses suddenly find themselves unable to file their VAT returns. Consideration should be given to a period of parallel running.
35. VAT policy will not remain static during the pilot and early stages of implementation. For example, reverse charging in the construction sector is expected to be introduced from October 2019. Several changes may follow the recommendations of the Office of Tax Simplification review into VAT. Software development will need to keep pace with changes to policy with sufficient time being allowed for any policy related changes to be tested and implemented.

Spreadsheets and digital links

36. Spreadsheets are an essential tool that many businesses use when preparing figures for the VAT return and we welcome the fact that the draft regulations allow them to be used. The fact is that many businesses currently have to make adjustments outside of their normal accounting systems in order to calculate the correct VAT position, and this is typically done using spreadsheets.
37. To meet MTD requirements, spreadsheets must be API enabled or linked to API enabled software as the return must be filed via HMRC's API platform. In order to give businesses adequate time to prepare, it is important that early confirmation is given that the software industry will provide a range of products that allow spreadsheets to be used and that time will be allowed for proper testing during the pilot.
38. Most business people are not computer or software experts and will need to understand exactly what is meant by 'spreadsheets need to be either API enabled or used in conjunction with bridging software'. Businesses will also need to understand that any enhanced functionality needed is likely to come at a cost. We recommend that HMRC works with stakeholders on a comprehensive communications plan to address these matters.

39. The draft regulations indicate that where a set of software and spreadsheets is used there must be digital links between the different pieces of software. However, we would welcome clarification of what is meant by a 'digital link' for these purposes.
40. The addendum to the draft VAT notice on MTD for VAT, which has no legal force, indicates that HMRC anticipates a soft landing period of 12 months from the 2019 start date to allow businesses to upgrade systems so that links between software are digital, as opposed to being by manual data transfer and entry. We welcome this announcement but think that more time is needed for more complex businesses or for businesses that outsource record keeping to third parties (eg, letting agents, events and conference organisers).
41. We recommend that businesses are given at least two years from mandation to be fully compliant and that this be included in the notice and given legal force.
42. Although there has been much discussion about the use of spreadsheets, more clarity is needed about how this will work in practice. We understand that, subject to commercial viability (see below), it should be relatively straightforward for software companies to develop bridging products that allow data from a spreadsheet to be downloaded to MTD compatible software that will access HMRC's API platform.
43. However, we are concerned about whether commercial software providers will develop and make available API enabled spreadsheets. This concern applies not just to products for desktop-based spreadsheets but also to cloud-based spreadsheets. Large software companies should be encouraged to develop add-ons to make their products API enabled for MTD, but it remains to be seen whether they will do so.

Supporting agents to help make MTD succeed

44. Agents help make the tax system work and are a potentially powerful advocate of change, an essential element in ensuring the success of MTD. We wholeheartedly endorse HMRC's position that tax agents should be able to see and do all that their clients can do. It is therefore vital that agents have access to MTD for VAT services at least as soon as access is available to businesses.
45. Many agents have experienced considerable difficulties (such as postcode mismatches and having an 'insufficient digital footprint') when registering for their Agent Services Account and these issues need to be resolved. Access to Agent Services Accounts also needs to be extended to overseas agents. To help ensure a successful roll-out of MTD, HMRC should learn from the roll-out of the Trust Registration Service.
46. We understand that there may be a specific technical issue with mapping existing agent/client relationships across to MTD for VAT; this issue needs to be resolved so agents do not have to be reauthorised individually by each of their VAT clients.

Impact of Brexit

47. The UK is expected to leave the EU in March 2019 and this is likely to lead to changes to the UK VAT system, subject to any transitional rules. This coincides with the plan for MTD for VAT requirements becoming mandatory. We are very concerned that this will place a considerable strain on the resources of HMRC, businesses and the software industry.
48. If the outcome of the Brexit negotiations is that there will be no distinction in VAT regulations between transactions with the EU and the rest of world, that may prove to be a simplification

in VAT regulations (and other changes would become possible), but the change process of itself will cause problems. For example, a business whose only overseas transactions have been within the EU will need to learn the rules for third countries.

Businesses newly registering for VAT will need more time

49. Existing businesses that exceed the VAT threshold for the first time and register compulsorily will have a very limited period in which to acquire and implement MTD compliant software. The MTD for VAT regulations mirror the requirement to register for VAT for growing businesses; once the running 12 month sales total exceeds the threshold, the business has until the end of the next month to register, with registration effective from the start of the following month.
50. Within this month a business has to identify the need to register, go through the registration process, familiarise itself with VAT regulations, adjust its processes including preparing to add VAT to sales and train its staff. It will also have to choose and implement MTD compliant software. To allow for a reasonable transitional period, we recommend that, as in the draft regulations for MTD for income tax, there should be a period of 12 months between the need to register and the need to meet MTD for VAT requirements.

Implementation of MTD for other taxes

51. Any decision to mandate MTD for income tax and corporation tax should not be made solely by reference to the results of MTD for VAT. The types of businesses potentially in MTD for income tax differ significantly from those in MTD for VAT (for example, for income tax those with income from property will be included). The MTD for income tax pilot started later and is on a much slower trajectory than was originally intended by the MTD road map. It is the success and experience of this pilot, rather than the success of MTD for VAT, that should be the main factor in any decision on implementing MTD for income tax.
52. We recommend that any decision to extend MTD to other taxes be based on pilots for those taxes and that there should be at least 12 months between the announcement of the decision and the start date for mandation.

Understanding the tax gap

53. We understand that one of the main policy drivers behind MTD is to close the tax gap that relates to errors and failure to take reasonable care by small businesses. We also understand that most of this tax gap relates to businesses trading below the VAT registration threshold. It remains to be seen whether MTD, particularly for VAT, will achieve the expected reductions in the tax gap. In the meantime, we recommend that HMRC publishes details of common errors made by businesses and agents. We would welcome the opportunity for further engagement with HMRC on this issue because it is a problem that needs to be addressed regardless of MTD.

Security and other concerns

54. Many businesses and agents are extremely concerned about the security of the large amounts of data that will be held in the cloud and which will be transferred between HMRC and businesses on a regular basis. Members have raised the publicity over Spectre and Meltdown chip-related security flaws as an example. We would be happy to work with HMRC on how these concerns should be addressed and on communications to reassure taxpayers about

contingency planning in the event of a major cyber-attack on HMRC itself or one of the software providers.

55. Members have also raised concerns about how taxpayers and agents will be protected against flaws in either commercial or HMRC software which result in incorrect calculations. Similar concerns have been raised about situations where data is corrupted or does not reach HMRC. There may also be situations where software, broadband connections or IT systems fail. We suggest that HMRC provides further clarity on these points, particularly in relation to penalties.

Groups

56. VAT group registrations introduce additional complexities that may make compliance with all the MTD requirements difficult. Supplies between group members are outside the scope of VAT. How are these to be recorded for MTD purposes? They would normally be excluded from the turnover figures shown on VAT returns and we would expect this to continue.
57. A VAT return for a group registration could include details from two to several thousand companies, each of which may have several accounting systems. It is impractical to link all of these systems digitally.
58. The declarations made by a VAT group are recorded as being made by the representative member. How will HMRC's systems recognise that most of the amounts declared by VAT groups relate to companies other than the representative members against which they are recorded?
59. Some VAT groups include companies that have overseas branches. Such branches supplying services to their UK head offices currently account for the reverse charge in the UK (under paragraph 8A of Schedule 6 to the VAT Act 1994) in relation to certain supplies sourced externally at its overseas branches locally that would be taxable if purchased from a UK supplier within the UK. The overseas branches will usually have separate accounting systems in local currency. We would welcome clarification as to how overseas transactions subject to a reverse charge in the UK be accounted for in such a way as to meet the MTD requirements?

Non-established taxable persons

60. We understand that HMRC expects non-established taxable persons to comply with the MTD for VAT requirements unless there is a specific block imposed by the country in which the business is established. How can the rules be enforced in practice when a business has no presence or accounting system within the UK? Currently it can take some months for HMRC to handle registrations by non-established taxable persons and they are unable to file until the registration is complete.

Divisional registrations

61. Arrangements will need to be made to accommodate the small number of companies that have separate VAT registrations for different divisions. Software will need to be able to deal with several VAT returns being filed for the same legal entity.

DETAILED COMMENTS ON THE DRAFT REGULATIONS AND NOTICE

VAT accounting periods (Paragraph 1)

62. The regulations refer to prescribed accounting periods. We understand this to mean that annual and non-standard accounting periods can continue. For example, some businesses use a 13-week quarter that ends on a particular day of the week and some operate 13 four week accounting periods each year, with VAT returns covering 12, 12, 12 and 16 week periods. We would welcome specific confirmation that the rules and agreements for VAT accounting periods remain unchanged.

Software and spreadsheets (Paragraph 3)

63. The draft amendments to regulation 24 specify that functional compatible software must be capable of *'receiving information from HMRC using the API platform in relation to a person's compliance with obligations under these Regulations which are required to be met by use of the software'*. We had previously understood that much more information would be fed back by HMRC to include, for example, prompts and information on payments and liabilities. We presume that the information specified in the regulations is the necessary minimum but that HMRC will release a wider range of APIs to feed additional information back from HMRC systems. As this information is of potential help to a business, this is one of the benefits of MTD and a timeline for when this might be incorporated would be of interest.

Record retention (Paragraph 6 – draft regulation 31AA)

64. The draft regulations do not deal adequately with record retention requirements. We understand that, where a company changes software provider, the terms of collaboration for software companies will require them to make the records available to the business in a format that will allow them to be uploaded to new software; this requirement to apply for a limited period after the licence ends. However, this does not cover certain situations such as:
- a) where a software supplier goes out of business and the cloud storage provider stops access to the data
 - b) where a cloud storage provider ceases to trade
 - c) where a business loses access to their records because they can no longer pay the licence fee
 - d) where the records are held by a third party (bookkeeper, tax agent, letting or other agent) using software licenced to the third party, access to the records may be lost where there is a dispute over fees or other commercial matter or the third party goes out of business
 - e) where a sole-trader dies, personal representatives may have difficulty in accessing the records for the business

We suggest that HMRC maps out and proposes solutions for such scenarios.

65. When a company deregisters for VAT or ceases to trade it should be permissible to download and retain the records in a range of suitable formats without having to pay a licence fee to retain access to the software simply to meet record retention requirements.

Electronic records (Paragraph 6 – draft regulation 32A)

66. Draft regulation 32A (3)(b)(iii) specifies that the total amount of input tax for which credit is allowable must be recorded. This is not possible where partial exemption applies. This regulation needs to be redrafted to make it clear that it is acceptable to record the total input tax, with the partial exemption adjustment being made later.
67. Draft regulation 32A (3)(f) specifies that the information to be recorded in digital form must include *‘the proportions of the total of the VAT exclusive value of all outputs for the period which are attributable in each case to standard rated, reduced rated, zero-rated, exempt or outside the scope outputs.’*. This requirement goes beyond the level of detail that is currently required; many businesses record only the net, VAT and gross figures for mixed supplies in their accounting records. It is not clear why this additional requirement is being imposed and we suggest that it be dropped. Certain outside the scope outputs are not currently required to be included on the VAT return (eg, grants); there needs to be clarification of exactly which outside the scope outputs need to be included.
68. We welcome the fact that the regulations do not require input VAT to be split between standard rated, reduced rated, zero rated, exempt and outside the scope. It is not clear how the regulations apply to petty cash transactions, employee expense claims or other (non-retail) situations where transactions are usually combined before an accounting entry is made. We suggest that it be made clear that a single entry in the accounting records will be sufficient to meet the requirements in such situations.
69. Draft regulation 32A (3)(a)(i) specifies that the time of supply must be recorded. There is the potential for considerable confusion where the time of supply differs from the invoice date and where the business is cash accounting for VAT but not for income or corporation tax. We suggest that HMRC considers the recording of dates very carefully particularly in the specifications for software suppliers to ensure that transactions and adjustments get reported in the correct period for all taxes and are not omitted or double counted. The limits for cash accounting for VAT and for income tax are different and in any case a business can make separate decisions about cash and accrual accounting for each tax.
70. We welcome the fact that partial exemption calculations do not form part of the records which are required to be maintained digitally. Partial exemption calculations are often based on information, such as staff numbers or floor space, that does not form part of the accounting records and this makes it very challenging to digitalise these calculations. We note the [research report on partial exemption](#) published by HMRC on 18 January 2018; the solution may prove to be a simplification of partial exemption rules, possibly as part of a post-Brexit review of VAT rules.
71. Draft regulation 32A (8) states that the required information *‘must be entered in the electronic account for the relevant prescribed accounting period no later than the earlier of the date by which the taxable person is required to make the return or the date the return is made for that prescribed accounting period’*. We understand that it will be permissible for a bookkeeper, agent or other third party to prepare and maintain the required electronic records from paper records and other information supplied by the business, so long as this is done before the return is filed and any transfer of data between different software is digital. It would be helpful if the regulations could make it clear that the electronic records can be maintained by a third party with the business having only indirect access to those records.

Exemptions (Paragraph 6 – draft regulation 32B)

72. There is a need for more detail about the process for applying for exemption from the electronic recording requirements. Businesses wishing to apply for exemption will need to apply for and receive a response well in advance of the mandate date and HMRC will need to allocate sufficient resources to these applications.
73. Existing exemptions from online filing for VAT should be rolled forward to MTD but it is likely that some additional businesses will need to apply for exemption as the MTD requirements are more onerous and will require greater digital capability.
74. We are unclear how the exemptions will apply to digitally excluded agents. Agents can be digitally excluded for the reasons covered by the regulations including disability, age and remoteness of location and the government is open to challenge if the needs of this group are not accommodated.

Draft VAT notice for MTD

75. The draft VAT notice for MTD includes material that is more appropriate to general HMRC communications to businesses rather than a legal notice. We suggest removing material that has been included only to 'make the case for MTD' and ancillary information such as 'Your rights and obligations', 'If you have a question about VAT, excise or customs duty' 'Putting things right' and 'How HMRC use your information'.
76. The draft notice includes paragraphs on retail schemes and the flat rate scheme and we welcome the fact that these will be accommodated in MTD for VAT.
77. The draft notice does not mention the schemes for second-hand goods, the agricultural flat rate scheme or the tour operators' margin scheme. We understand that these schemes are expected to continue but would welcome specific confirmation and detail about the requirements for these schemes under MTD.
78. We are also concerned that there should be a choice of suitable software available to all traders using these schemes; the relatively small number of such traders may mean that it is uneconomic for software providers to supply suitable products.
79. Some businesses submit additional information (in paper form) to HMRC that goes well beyond that listed in section 6 of the draft VAT notice. This is particularly the case where large repayments are due and the information submitted may include copies of documents supporting transactions. Such businesses would welcome the opportunity to submit this information digitally along with their VAT return, on a voluntary basis.

Addendum to VAT notice

80. The VAT customer journeys in the addendum to the draft VAT notice on MTD for VAT are helpful. However, it needs to be made clearer that this document does not cover all possible journeys and that businesses will not necessarily fit into one of the scenarios.
81. It would be helpful if these journeys could include an example where the business keeps non-digital records and gives these to a bookkeeper or agent who then creates the digital record.
82. Example 7 contains an error: agents do not generally have direct access to client owned software to correct errors or make adjustments; where the software is owned by the client the agent would usually advise the client to make the correction.