

Association of Accounting Technician's response to Making Tax Digital for VAT: legislative overview



The Association of Accounting Technicians (AAT) is pleased to have the opportunity to respond to the “Making Tax Digital for VAT: legislation overview”, dated 13 September 2017.

AAT is submitting this response on behalf of our membership and for the wider public benefit of achieving the sound and effective administration of taxes.

AAT has focussed on the operational elements of the proposals and has provided opinion on the practicalities in implementing the measures outlined. Furthermore, the comments reflect the potential impact that the proposed changes would have on SMEs and micro-entities, many of which employ AAT members or would be represented by AAT's licensed accountants.

General

AAT is pleased to note that as a result of listening carefully to AAT and other stakeholders, businesses will not be mandated to use the Making Tax Digital (MTD) system until April 2019 and then only to meet VAT obligations.

AAT has often expressed concern that a hurried approach, as per the original proposals, risked a failure to win the hearts and minds of small and micro-entities. These are precisely the organisations whom HMRC consider would most benefit from a more disciplined approach to record keeping and so a hurried approach would have risked pushing many into the black economy and others to simply cease trading.

The revision to the MTD implementation timetable means that the whole MTD proposition becomes more achievable. Especially, given the commitment that, *“Government will not widen the scope of MTD beyond VAT before the system has been shown to work well, and not before April 2020 at the earliest.”*¹

AAT remains committed to working with HMRC to ensure the smooth roll-out of MTD, to raise awareness and understanding amongst our 140,000 membership base and especially to ensure our 4,250 licensed accountants - who provide accountancy services to over 400,000 British businesses - are equipped to ensure digital record keeping and quarterly reporting becomes the norm across their client base.

Clause 62

AAT notes that clause 62 is not intended to replace pre-existing legislation concerned with the maintaining of records as well as the requirements to file returns, and agrees that its wholesale replacement would be unnecessary.

Without commenting on the efficacy of the Parliamentary drafting, AAT is satisfied that the key components required to cover the digital recording, storage and preservation have been covered as have those for the VAT registered entities exempt from it, including the digitally excluded.

The proposed legislation sets out clearly that where a VAT registered entity has on-boarded and its turnover falls below the compulsory registration threshold it will be obliged to comply with MTD's digital record keeping requirements. This is a most helpful clarification.

Furthermore, the inclusion of powers to vary the exemption provisions, in the case of transfers of going concerns, and to enable commissioners of HMRC to include further exemptions in the future, is sensible and therefore welcome. Likewise, the introduction of a right-of-appeal against HMRC decisions in relation to VAT

¹ Finance Bill Statement, [HCWS47](#), published 13 July 2017

regulations requiring the use of digital communications or digital record-keeping is a sensible and welcome development.

It is encouraging to note that regulations providing for digital record keeping cannot come into force before 1 April 2019 but AAT remains concerned by a lack of clarity for those choosing to on-board early. Whilst appreciating this issue is not in respect of legislation, it does require published guidance.

Finally, it is noted that sanctions for a failure to keep or preserve digital records (for VAT purposes) will correspond to the existing penalties for failure to keep or preserve records which again AAT welcomes.

About AAT

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 90,000 student and affiliate members worldwide. Of the full and fellow members, there are over 4,250 licensed accountants who provide accountancy and taxation services to individuals, not-for-profit organisations and the full range of business types.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

Further information

If you have any queries, require any further information or would like to discuss any of the above points in more detail, please contact Aleem Islan, AAT Technical Consultation Manager, at:

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