Transformation of HMRC's VAT services

What we are doing and why?

From March 2021 HMRC intend to migrate all of their remaining VAT customers from the VAT Mainframe (VMF) on to their Enterprise Tax Management Platform (ETMP).

Customers who have already signed up to Making Tax Digital (MTD) are _not_ affected by this change and _do not_ need to take any action, as their records are already stored on ETMP.

Any VAT businesses with taxable turnover above £85,000 who have not yet signed up to MTD must do so now or they may be charged a penalty. Further guidance on penalties is available at:

https://www.gov.uk/vat-returns/surcharges-and-penalties

This migration will stop the dual running of VAT across the two systems and allow for the decommissioning of the VAT mainframe which is expensive to run and maintain.

What you need to do

Business should continue to file their VAT returns through their Business Tax Account as normal. Further information on Business Tax Account is available at: https://www.gov.uk/guidance/sign-in-to-your-hmrc-business-tax-account

You may notice a change in how the service looks after your records have been migrated to ETMP.

Some VAT businesses and their agents will need to take action before 28 February 2021 in preparation for migration.

eXtensible Markup Language (XML) customers

XML is the functionality available in some software products that allows users to file VAT Returns directly to HMRC from their software. It is not the same as MTD enabled software. Customers unsure as to whether their software product uses XML should contact their software provider.

Only a small number of our customers use XML to file their VAT returns. XML is not compatible with HMRC's digital strategy for VAT services. This option as a way of filing VAT returns will be removed from April 21.

HMRC will contact businesses who file their VAT returns via XML, and their software providers, in advance of April 21. These customers are encouraged to sign up and switch to MTD compatible software, which includes bridging products, as a means of submitting their VAT returns through software. Otherwise, they will need to file through their Business Tax Account as usual.

Direct Debit customers

For Direct Debit payments to continue after migration, HMRC will need a valid and current email address for customers. This allows HMRC to comply with UK banking regulations requiring them to notify customers of the date and amount to be taken by Direct Debit (we have chosen to do this by email).

HMRC will therefore request affected customers to provide this information, ideally via their Business Tax Account. This will reduce calls to the VAT helpline and minimise call waiting times for customers.

Without a valid email address, HMRC may be unable to collect VAT payments.

MTD for VAT Extended

MTD for VAT will be extended to include businesses with taxable turnover below £85,000 from April 2022. Selecting MTD software and signing up to MTD now avoids the need to carry out the actions below and may save businesses considerable time and effort as we approach that deadline. Further information on signing up to MTD is available at: https://www.gov.uk/guidance/sign-your-business-up-for-making-tax-digital-for-vat