

1 February 2022

Making Tax Digital - Update

This note updates our advice for all VAT-registered councils.

Councils that are not VAT-registered, who reclaim VAT using form VAT126, are not affected by Making Tax Digital. There are no changes for those councils.

Making Tax Digital (MTD) becomes mandatory for **all** VAT-registered organisations from 1 April 2022 (VAT registered bodies with a taxable income exceeding the £85,000 threshold have had to comply since 2019). This includes all VAT-registered councils.

The HMRC press release is here:

[Making Tax Digital for VAT is coming – are you ready? - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/press-releases/2022/02/making-tax-digital-for-vat-is-coming-are-you-ready)

Making Tax Digital requires all VAT registered bodies to keep their records digitally from 1 April and submit VAT return figures (for any VAT period starting 1 April 2022 or later) directly from the software, rather than logging into an HMRC account and entering the figures manually (this option will no longer be possible).

If a council uses an accounting package, they should check with the software provider that it can cope with MTD. Software providers for the local council sector have addressed this and councils are already submitting VAT returns using their software.

Any VAT registered councils that keep their accounts on spreadsheets should consider whether an accounting package would be a better solution for digital record-keeping. At least one company is said to have developed an interface for spreadsheets, but we do not recommend spreadsheets for councils that need to account for taxable income.

VAT Notice 700/22 (link below) gives details for digital record-keeping and submission.

<https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat>

Disclaimer

This guidance is issued to assist councils in complying with the relevant legislation and guidance. It is not a statement of law, nor does it account for individual circumstances. The Parkinson Partnership LLP accepts no liability for any loss arising from situations where councils have not followed the relevant law and guidance.