

Making Tax Digital (MTD) for VAT Phase II

Our review of the market indicates that 90% of businesses are not fully compliant.

The seven most common misconceptions are:

We dealt with MTD already

There are new requirements that were not part of MTD in 2019.

Our software vendor assures us we are MTD compliant

Your processes need to be Phase II compliant, not just your software.

We don't have any non-compliant processes

Our market review suggests that 90% of businesses are not fully compliant.

We expect to be able to update our ERP to be able to deal with any issues in the business

Tax needs to operate shorter timeframes than is typical for ERP updates.

We've been promised a patch by our ERP supplier

Your processes need to be Phase II compliant, not just your ERP.

It will get deferred again

It has been confirmed that this is coming into place on 1 April 2021.

Not being compliant has no consequences

HMRC and Auditor routine enquiries will pick this up, and if you make an SAO declaration you will have to self-report it.

Case studies - client challenges



Our ERP system is 'MTD compliant' but we have to re-key adjustments before submission.



We manually consolidate legal entities to make our Group VAT filing.











We re-key data into our filing software because we cannot extract VAT relevant data from our ERP report.



When we review our VAT filing (in Excel) we also make adjustments. These are just typed.

What is the current position?

 <p>Making Tax Digital for VAT Phase II is mandatory from 1 April 2021 for all VAT registered businesses.</p>	 <p>All your data must be “digitally linked” (e.g. copy/paste and rekeying are not allowed).</p>	 <p>Non-compliance means your VAT filing is technically invalid.</p>	 <p>If you need to make the Senior Accounting Office disclosure, then you will also fail the SAO Main Duty test.</p>
 <p>We expect Auditors to ask for confirmation that Digital Links are in place on all audits after 1 April.</p>	 <p>FTI Consulting can review a company’s processes and technology.</p>	 <p>FTI Consulting will report on any process and technology changes needed.</p>	 <p>FTI Consulting can assist in implementing changes and can support clients in dealing with finance IT or ERP consultants.</p>

Can we help you?

FTI Consulting are pleased to offer an online clinic (45 minutes) where we can:

- Discuss the implications of Digital Links for your business.
- Explore your processes for compliance with Digital Links.
- Advise you on whether there may be issues that need to be addressed.

You can register (on a no cost, no obligation basis) at:

<https://ftiemea.to/mtdforvat-clinic>

Contact us

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Note: our review was based on conversations with various businesses, with 9 out of 10 indicating they were not fully compliant.

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