



# VAT alert – Making Tax Digital

## HMRC announces deferment of digital links until 2021

30 March 2020

### Summary

HMRC has announced a deferment to the requirement to have “digital links” in place for Making Tax Digital by 1 April 2020.

Tax payers will now have until 1 April 2021 to have digital links in place.

HMRC will continue to accept the use of ‘cut and paste’ or ‘copy and paste’ as part of the VAT return preparation process.

HMRC has today made the following announcement to stakeholders:

*“We understand that the impact of COVID-19 is creating extremely difficult times for all, and we are committed to helping in every way possible all those businesses facing unprecedented challenges.*

*Therefore, we are providing all MTD businesses with more time to put in place digital links between all parts of their functional compatible software. This means that all businesses now have until their first VAT return period starting on or after 1 April 2021 to put digital links in place.”*

The digital links requirement of Making Tax Digital (MTD) has been operating within a “soft landing period”, allowing businesses to continue to use ‘cut and paste’ or ‘copy and paste’ within their VAT return preparation process. It was expected that from 1 April 2020 all VAT registered businesses would have been required to implement and maintain a clear digital ‘journey’ or ‘digital links’ to support VAT accounting transactions.

The requirement was for data transfer or exchange within and between software programs, applications or products that make up functional compatible software to be “digital” where the information continues to form part of the digital records. Once data has been entered into software used to keep and maintain digital records, any further transfer, recapture or modification of that data must be done using digital links. Each piece of software must be digitally linked to other pieces of software to create the digital journey.

The soft-landing period had been granted to all VAT registered tax payers depending on when they were required to submit via MTD. Taxpayers mandated from a VAT period starting on or after 1 April 2019 had until the first VAT return period starting on or after 1 April 2020. However, Taxpayers within the deferred group - who were required to submit from the first VAT period starting on or after 1 October 2019 - had until their first VAT return period starting on or after 1 October 2020 to put digital links in place.

As the requirement for having digital links has now been deferred until 1 April 2021, taxpayers will no longer have to implement or maintain these digital links and may continue to use ‘cut and paste’ or ‘copy and paste’ to prepare VAT returns.

### How Grant Thornton can help

Grant Thornton has extensive experience of working with clients to become compliant with the Making Tax Digital requirements, including providing our own submission solution and gap analysis of digital links.

Should you wish to discuss how the new requirements may affect your business, please get in touch with one of our specialists below who will be happy to assist, or your usual Grant Thornton contact.

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