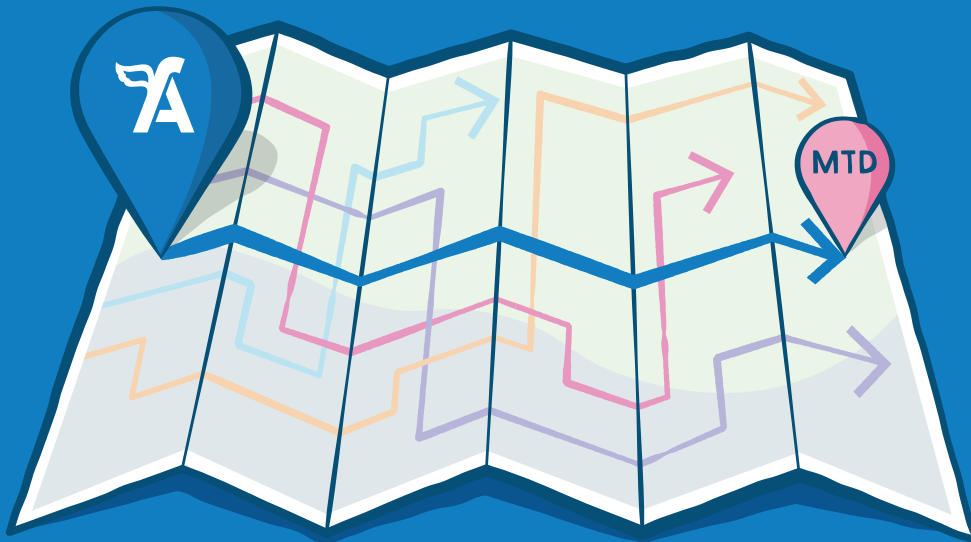


Making Tax Digital for VAT

How to set up your practice and clients



freeagent

Making Tax Digital for VAT was introduced in 2019. It first required certain VAT-registered businesses to keep digital records and use MTD-compatible software to submit their VAT returns electronically. The scope of MTD for VAT expanded on 1st April 2022 and all VAT-registered businesses are now required to follow these rules.

The next phase of Making Tax Digital

Here's what you can expect from the next phase of MTD:

MTD for Income Tax Self Assessment

Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) will be introduced in 2026. It will require self-employed business owners and landlords with annual business or property income above £50,000 to follow the rules for MTD for ITSA from 6th April 2026.

Find out more on HMRC's website:

[www.gov.uk/government/publications/ making-tax-digital/overview-of-making-tax-digital](https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital)

Setting your practice up for MTD

1. Create an agent services account

Creating an agent services account (www.gov.uk/guidance/get-an-hmrc-agent-services-account) for your practice will generate a new Government Gateway ID which will give your practice access to HMRC's MTD services. A practice will only ever have one set of credentials for MTD and you will need to keep hold of any existing Government Gateway IDs you use to access HMRC's other online services.

If you've signed up for the Trust Registration Service (TRS) you may already have an agent services account in place. If this is the case, you don't need to create a new account; simply log in and follow the steps outlined on the next page.

2. Copy existing client relationships to your agent services account and request authority for new clients

The next step is to log in to your agent services account and add all of your practice's existing Government Gateway credentials for VAT filing on behalf of clients. This will copy the authority your practice currently has for VAT filing to its agent services account.

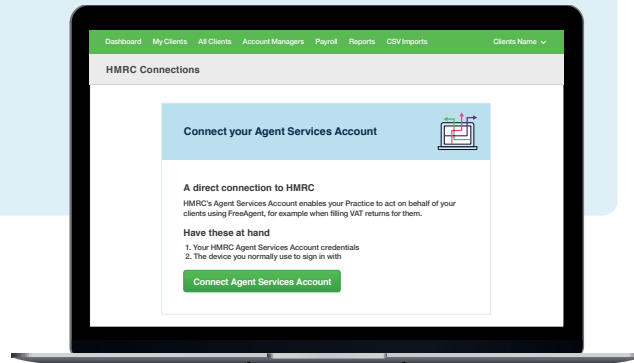
If you have multiple sets of credentials you will need to add them all to your agent services account in order to link the authority for all your existing clients.

You should request authority to file MTD VAT returns on behalf of any new clients directly from your agent services account. Note that these clients must have a Business Tax Account (BTA) in place in order to authorise a new agent relationship.

3. Authorise your MTD-compatible software

Once you've successfully created your agent services account you can use the new credentials you have received to connect your software with HMRC. If you're using FreeAgent you should:

1. Log in to your practice dashboard and navigate to '**Settings**'
2. Select '**HMRC Connections**'
3. Follow the on-screen instructions



Seeing a '403 error (Client or Agent not authorised)' message?

If you encounter a '**403 error (Client or Agent not authorised)**' message during any part of the setup process, HMRC recommends that you check:

- that you have agent services account (ASA) credentials in place
- that you have used the correct agent services account (ASA) credentials to link your MTD software (if this is not the case, you will need to disconnect from the software and then reconnect with the correct credentials)
- that you have copied your authorisation to file VAT on behalf of the client to your agent services account (as outlined in step 2 above)
- that the client is signed up to MTD (see guidance overleaf)

Signing clients up to Making Tax Digital and completing the setup of your MTD-compatible software

Once your practice is set up for MTD VAT filing, you need to sign your clients up to MTD with HMRC and then complete the setup of your software.

Signing clients up to MTD with HMRC

Before you get started, please note that once a client is signed up to MTD with HMRC, **their next VAT return must be made using MTD-compatible software!**

When you're ready to sign clients up to MTD, visit the gov.uk signup page (www.gov.uk/guidance/making-tax-digital-for-vat-as-an-agent-step-by-step) and then enter:

- Your practice's Government Gateway ID and password for MTD services – these are the credentials you generated when you created your agent services account
- Each agent Government Gateway user ID used by your practice for your VAT clients
- Each client's VAT registration number
- Additional information about the client's business
- The client's email address

You should then receive an email from HMRC confirming that your client has been signed up for MTD. HMRC will email again to let you know when you can start using MTD software to submit the client's VAT return. This second email should arrive within 24-72 hours of the first. If you attempt to make a submission during this 24-72 hour period you may encounter a '**500 (Internal Server Error)**' message. If you still see this error message after the 72 hour period has expired, you should report it to HMRC.

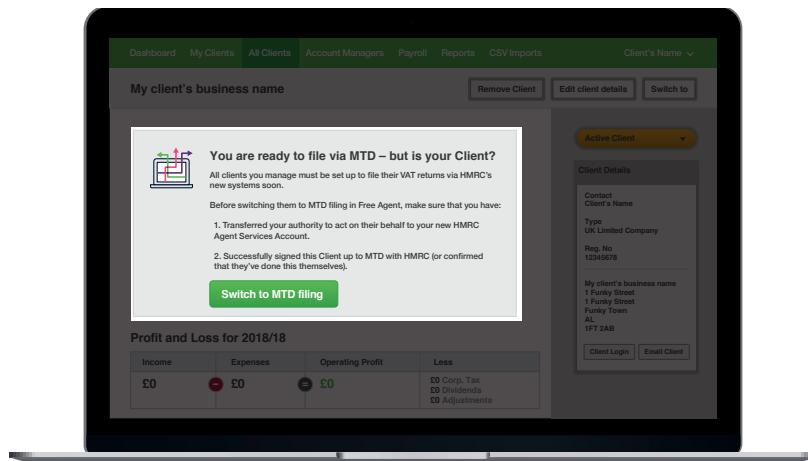
Clients can also sign themselves up to MTD at:
www.gov.uk/guidance/making-tax-digital-for-vat

Switching to MTD filing in FreeAgent

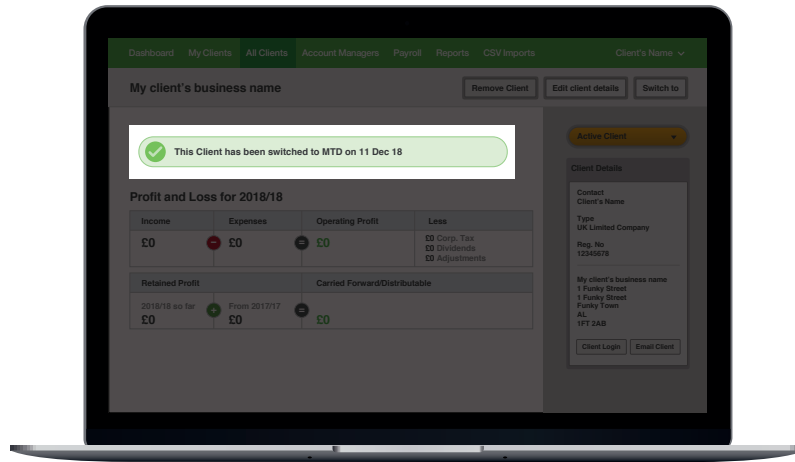
The final stage of the process is to complete the setup of your MTD-compatible software. To do this you will need to have added all your clients to the software you plan to use for MTD filing.

Once you've added all your clients to FreeAgent, you should then:

- Navigate to 'My Clients' from your practice dashboard and select a client's name from the list.
- Select 'Switch to MTD filing'. This will allow you to submit MTD VAT returns from FreeAgent on that client's behalf. Please note that once filing for a client has been switched to MTD, it cannot be reverted **so make sure the client has been signed up to MTD before completing this step.**



- Once the client has been successfully switched to MTD filing you'll see a message confirming this.



- Repeat this process for all your VAT-registered clients in FreeAgent.

Clients with full (level 8) access to FreeAgent can complete this process themselves by following the steps outlined in our Knowledge Base (support.freeagent.com/hc/en-gb/articles/360001829919). However, you may prefer to do this on their behalf instead. Clients with lower levels of access will not have the option to do this themselves.

Managing the process

You'll need to sign up all your clients with VAT-registered businesses to MTD. If you have a large number of clients to sign up, you might find it helpful to use a spreadsheet to manage the process. Here's some suggested guidance for doing this:

1. Create a spreadsheet with the following columns:

A: Client's name

B: VAT registered? (y/n)

C: Authority to file VAT? (y/n)

D: Practice or self-signup? (practice/self)

E: Signed up to MTD with HMRC? (y/n)

F: Set up for MTD VAT filing in software? (y/n)

2. Obtain a list of your clients and enter their names into Column A of your spreadsheet.

3. Work through column B, marking up which of your clients are VAT registered and therefore need to be signed up for MTD for VAT.

4. Work through column C, indicating which of your clients you have authority to file VAT on behalf of. If you don't have authority for a client you can request it from your agent services account. Alternatively, the client can file their own VAT returns under MTD (in FreeAgent they need level 8 access to do this).

5. Work through column D, indicating which of your clients your practice will be signing up for MTD, and which of your clients will be signing themselves up (in FreeAgent).

6. Update column E when you sign a client up for MTD or a client signs themselves up for MTD VAT filing with HMRC.

7. Update column F when you set a client up for MTD VAT filing in the relevant MTD-compatible software or when a client does this for themselves.

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