MAKING TAX DIGITAL

THE HEADLINE

Making Tax Digital (MTD) is a fundamental change to the administration of the UK tax system. It will affect how businesses maintain their accounting and tax records and how they transact and communicate with HMRC.

OVERVIEW

Making Tax Digital (MTD) is an HMRC initiative that will revolutionise the UK tax system and ultimately bring an end to self-assessment.

The primary aim of Making Tax Digital is to make tax administration more effective, efficient, and easier for taxpayers through the implementation of a fully digitalised tax system by 2020, whilst also reducing submission errors along with HMRC's overheads for managing tax affairs.

The first major change is that **ANY** VAT Return after the 1st April 2019 will need to be submitted electronically. This does not mean simply inputting into the current HMRC portal but will involve uploading digitally into a new portal using an API.

There are very strict rules for this and since the 1st April 2020 they prohibit the option to change the data manually i.e. all data collation and reporting MUST be done digitally. This means that many 'bridging solutions' which utilise Excel or other products cannot fully comply with the full regulations.

Businesses and organisations will be required to use a functionally compatible software product to submit their returns to HMRC. The software will use HMRC's API (Application Program Interface) platform to submit information to HMRC. The current HMRC online tax return services will be withdrawn for those within the scope of the MTD rules.

Following the implementation of MTD for VAT, MTD for income tax (for the self-employed and those with income from property) and MTD for corporation tax are expected to follow, so this 'digital transformation' will be part of the tax submission fabric going forward and everybody should be prepared. IMS can help.

IMS is a registered developer, recognised and sanctioned by HMRC, so this along with our expertise in System 21 finance applications, makes us the natural partner for the new world of Digital Tax Transmission.

MTD – THE APPLICATION PROCESS

When you are registering for MTD, although the process is straightforward, please read the notes below beforehand. If these instructions are not followed, it can cause issues when the first submission is made.

1. After you have submitted your final VAT Return prior to MTD:

   a. Go to the HMRC Portal

   b. Select the option 'Sign up to Making Tax Digital for VAT

   c. You must sign up for MTD at least one week before your VAT Return is due.

   d. HMRC will send you a confirmation email within 72 hours of signing up.

2. You will be asked 'Do you have accounting software for managing your VAT records? Please answer Yes

3. You will be asked to confirm that your software can submit Returns through MTD? Please answer Yes

4. You will be asked 'Do you have more than one VAT registered business? Answer as appropriate

5. You will be asked 'What type of business are you registered as? Answer as appropriate

6. You will be asked 'What is your company registration number?

7. You will be asked to input your company UTR number

There are various confirmation screens and you will also need to validate your contact email address. This process will take 72 hours to process and therefore you cannot submit a VAT return during this period.

MTD – THE PROCESS FLOW

This document sets out the basic process flow of the IMS MTD solution and provides 'screenshots' from the process, from System 21 and the HMRC Portal.

The solution is based on using data from the System 21 VAT module, an example of the System 21 VAT enquiry for a period is shown below.

```
VAT Enquiry

VAT period  . . . 1803      From 01 July      2018 to 30 September 2018

Code  Description                        Goods                   VAT
A     Acq VAT    Inputs          206476.85-              3518.37-
                 Outputs         206476.85               3518.37
                 Net                   .00                    .00
A1    Acq VAT    Inputs                .00                    .00
                 Outputs               .00                    .00
                 Net                   .00                    .00
E     Exempt     Inputs            4401.88-                   .00
                 Outputs          79789.35                    .00
                 Net              75387.47                    .00         +

Period totals    Inputs          771123.05-             102122.49-
                 Outputs        1203142.66              185420.07
                 Net             432019.61               83297.58

F3=Exit
```

System 21 VAT enquiry (continued)

```
VAT Enquiry

VAT period  . . . 1803      From 01 July      2018 to 30 September 2018

Code  Description                        Goods                   VAT
S     Standard   Inputs          507494.28-              98604.12-
                 Outputs         909531.55              181901.70
                 Net             402037.27               83297.58
S1    17.5%      Inputs                .00                    .00
                 Outputs               .00                    .00
                 Net                   .00                    .00
V     vat        Inputs                .00                    .00
                 Outputs               .00                    .00
                 Net                   .00                    .00         +

Period totals    Inputs          771123.05-             102122.49-
                 Outputs        1203142.66              185420.07
                 Net             432019.61               83297.58

F3=Exit
```

```
VAT period  . . .  1803      From 01 July      2018 to 30 September 2018

Code  Description                    Goods              VAT
Z     Zero      Inputs          52750.04-              .00
                Outputs          7344.91               .00
                Net             45405.13-              .00




Period totals   Inputs         771123.05-         102122.49-
                Outputs       1203142.66          185420.07
                Net            432019.61           83297.58


F3=Exit
```

IMS MTD MODULE

The IMS MTD module provides two options. The first is for a single company submission and the second is for those companies that have multiple companies that are submitted in a single return. We will cover both options below, although most users will only use option 1.

Option 1 – single company

This function provides the option to display the EEC VAT code and acquisition VAT code. If you do not deal in any way with Europe, you do not require these functions. If you do, you need to create a GL parameter type MTDE

```
Maintain Parameters
                                              Value 1   Value 2    Code
Sel   Srce.  Type   Description                Reqd.    Reqd.     Length
 _    Sys.   CSTA   Cost Allocation Accounts                        08
 _    Sys.   GENV   General Validation                              06
 _    Sys.   GOVS   Tax Supplier                 1                  08
 _    Sys.   JCOD   Journal Code                                    02
 _    Sys.   JTYP   Journal Type                                    02
 _    User   MTDE   Vat Codes to Exclude & EEC ACQ                  03
 _    User   NEQQ   drfgv                                           02
 _    Sys.   NTCD   National Code                                   08
 _    Sys.   PFMC   Performance Indicators                          01
 _    Sys.   PYGP   Payment Group                                   01
 _    Sys.   REGN   Region                                          03
 _    Sys.   RPAC   Recurring Payment Analysis                      02
 _    Sys.   SGP1   Supplier Group 1                                03      +


Enter Type.. MTDE   Vat Codes to Exclude & EEC ACQ    _       _        _3

2=Maintain   4=Delete   5=Sub-codes
F3=Exit
 A        A                                                          21/022
                                                        Lbaas400:23
```

In addition, if entries are made in MTDE they will be displayed as VAT codes to be ignored. This is mainly required for excluding intercompany transactions.

```
Maintain Parameters

Parameter . . : MTDE
Description . : Vat Codes to Exclude & EEC ACQ          Code Length . : 03

   Src. Code        Description                   Value 1         Value 2
_  User IE          IRELAND                          .00             .00
_  User NON         PROFORMA                         .00             .00







Enter new code..
    __         _____

2=Maintain   4=Delete
F3=Exit   F12=Previous
A    A                                                             21/009
                                                        ▲ ⟋  Lbaas400:23  ⤵
```

Once you are confident that the figures are correct, you enter the following screen by taking option 1 of menu IMSMTD.

You must confirm the period you are processing and enter the VAT code to be used to calculate the value of supplies to EU customers (Box 8). If you use Acquisition VAT, the code used to calculate this must be entered in the appropriate box to update boxes 2 and 9.

If there are any VAT codes that you want the Return to ignore e.g. Intra company transactions, these must be entered in GL parameter MTDE and they will display at the bottom of the screen

```
 VAT Submission

VAT Reporting Period .: 0000

EU Sales VAT Code ....? DES   This code is used to identify the value
                              of Box 8: Total Value EU Goods Supplied
                              Excluding VAT
                              If left blank Box 8 will be zero

Acquisition VAT Code .? ACQ   This code is used to identify the value
                              of Boxes 2 and 9: Acquisition VAT & Goods
                              If left blank Boxes 2 and 9 will be zero

Sales and Purchases for the following VAT codes defined within the GL
Parameters file with code MTDE will not be included in the results

   IE    NON



F3=Exit   F4=Prompt   F12=Previous

MA   A                                                             05/026
                                                        ▲ ⟋  Lbaas400:23  ⤵
```

The prompt for VAT codes works with '? ' in the field and Enter or cursor sensitive with F4

If you do not set up the MTDE parameter, you will see the screen below:

```
VAT Submission

VAT Reporting Period .: 0000









F3=Exit            F12=Previous

MA    A                                                    05/026
                                           ▲  ⊥ Lbaas400:23  ⊡
```

If you create the parameter MTDE but do not include any entries, the screen below will be displayed.

```
VAT Submission

VAT Reporting Period .: 0000

EU Sales VAT Code ....? ___    This code is used to identify the value
                               of Box 8: Total Value EU Goods Supplied
                               Excluding VAT
                               If left blank Box 8 will be zero

Acquisition VAT Code .? ___    This code is used to identify the value
                               of Boxes 2 and 9: Acquisition VAT & Goods
                               If left blank Boxes 2 and 9 will be zero






F3=Exit   F4=Prompt   F12=Previous

MA    A                                                    05/026
                                           ▲  ⊥ Lbaas400:23  ⊡
```

Option 2 – multiple company

If you are licensed for the multi company version, when you take option 2 the screen below is displayed. Various functions are switched on for each company as per section1.

```
VAT Submission - Multi Company


Period .... 2002



There is an opportunity to exclude selected VAT codes from inclusion
in this report by defining them in the GL Parameters file under parameter
MTDE within their relevant company
VAT codes which have been excluded will be displayed on the next screen















_____
F3=Exit   F12=Previous
```

Once you enter through the first screen, the following screen is displayed. This allows you to manage, add and delete companies from the consolidation routine.

```
VAT Submission - Multi Company

Period .... 2002 From: 01/02/20 To: 30/04/20   EEC  ACQ
                                               VAT  VAT
 Opt Company  Name                             Code Code < VAT Exclusions  >


   _   04     PUMA UK                          DES       IE  NON
   _   09     PUMA PREMIER                     X








   Company?  Name                         EEC VAT Code?  ACQ VAT Code?
     __                                        ___          ___
       VAT Code Exclusions
2=Amend  4=Delete  Press Enter to add a new company to the list
F3=Exit   F4=Prompt   F8=Continue   F12=Previous
```

MTD – Final Figures

Our solution will then display the above figures in the format of the nine boxes as required by HMRC for final verification, as per the below example.

Option 1 – Single company

```
VAT Submission

Period .... 1803  From: 01/07/18  To: 30/09/18

VAT Due Sales .............................       181,901.70
VAT Due Acquisitions ......................         3,518.37
Total VAT Due .............................       185,420.07
VAT Reclaimed Current period ..............       102,122.49
Net VAT Due ...............................        83,297.58
Total Value Sales Excluding VAT ...........     1,203,142.66
Total Value Purchases Excluding VAT .......       771,123.05
Total Value Goods Supplied Excluding VAT ..         7,344.91
Total Acquisitions Excluding VAT ..........       206,476.85




F3=Exit   F12=Return
```

Option 2 – Multiple company

```
VAT Submission

Period .... 2002  From: 01/02/20  To: 30/04/20

VAT Due Sales .............................     4,576,617.47
VAT Due Acquisitions ......................            46.29
Total VAT Due .............................     4,576,663.76
VAT Reclaimed Current period ..............     4,617,616.52
Net VAT Due ...............................        40,952.76-
Total Value Sales Excluding VAT ...........    34,993,322.00
Total Value Purchases Excluding VAT .......    30,341,163.00
Total Value Goods Supplied Excluding VAT ..              .00
Total Acquisitions Excluding VAT ..........           256.00



        F6 Upload not available as selected period is not closed in one
                   or more selected companies


F3=Exit            F12=Return
```

Once the VAT period is closed, option F6 will appear and this will allow the submission of the file to the IMS Portal. The methodology used will differ on each site, but in essence the file will be transferred electronically to the portal and then the instructions below need to be followed.

MTD – THE PROCESS FLOW

Once the figures above are approved, a function will be used to FTP (File Transfer Protocol) these to our portal. The exact method will be determined by individual customer's set up, but in most cases, this will be done using secure FTP (SFTP) for data security.

When you upload the file to our portal, you may receive one of several messages to the designated email address. If after loading a file nothing is received, please contact the IMS support desk at support@imsolutions.info.

If there are any errors on the file uploaded, you will receive one of the below error messages:

From: **IMS MTD** <solutions@imsolutions.info>
Date: Tue, 11 Feb 2020, 08:01
Subject: IMS Making Tax Digital - Imported File Error
To: < YOUR EMAIL ADDRESS >

There were errors encountered whilst importing the MTD file. The details are below.

The period dates were not found in the current VAT obligations.

OR

From: **IMS MTD** <solutions@imsolutions.info>
Date: Mon, 24 Feb 2020, 16:20
Subject: IMS Making Tax Digital - Imported File Error
To: < YOUR EMAIL ADDRESS

There were errors encountered whilst importing the MTD file. The details are below.

File uploaded is not a CSV file (desktop.ini).

You will need to address the issue raised and upload the file again. When this is successful, you will receive the message below:

From: **IMS MTD** <solutions@imsolutions.info>
Date: Thu, 30 Jan 2020, 17:05
Subject: IMS Making Tax Digital - File Imported Successfully
To: < YOUR EMAIL ADDRESS >

MTD File was imported successfully.

SUBMIT VAT RETURN

When VAT information is uploaded to our portal and processed, you will subsequently receive an email inviting you to login and confirm the submission to the Government Gateway. The login screen shown below will be displayed. Please note if you click the link in the email you will be taken straight to the submission details.

If it is the first time you have logged into the system, or if our authority to submit your returns needs confirming / renewing, you will be sent to the government gateway to login and confirm our authorisation. Please note that our authorisation needs reconfirming at least every 18 months. You will see the screen below, explaining that you need to confirm our authority and the steps needed to do this.

After clicking Continue you will be prompted to login and will see the screen below
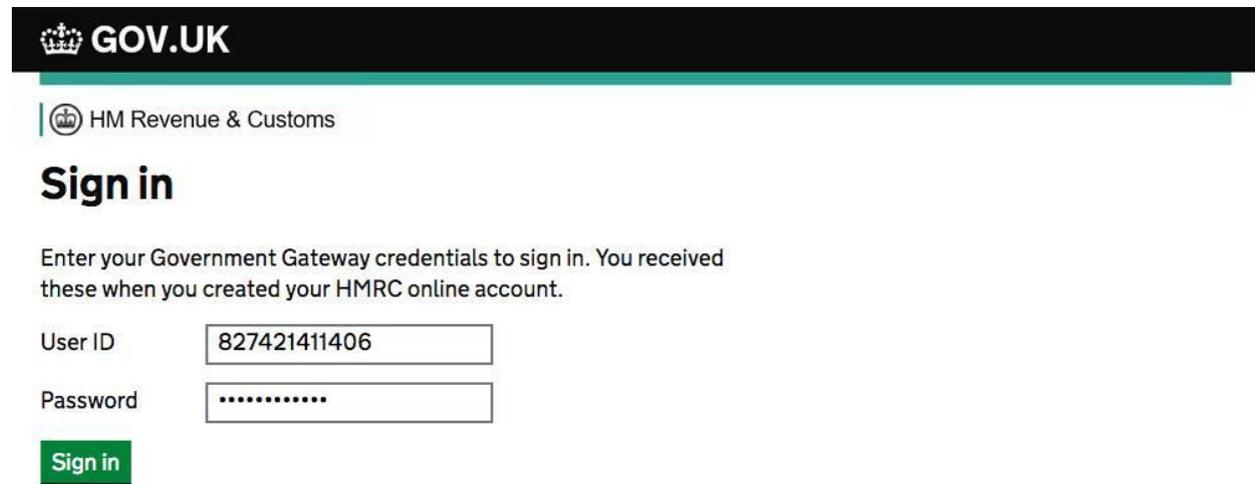
GOV.UK

HM Revenue & Customs

Sign in

Enter your Government Gateway credentials to sign in. You received these when you created your HMRC online account.

User ID   827421411406

Password   ············

Sign in

You will then need to confirm your login with an additional security code, this normally is done via text message and you will see a similar screen to the below. Please note you may be prompted to answer additional questions to confirm your identity.
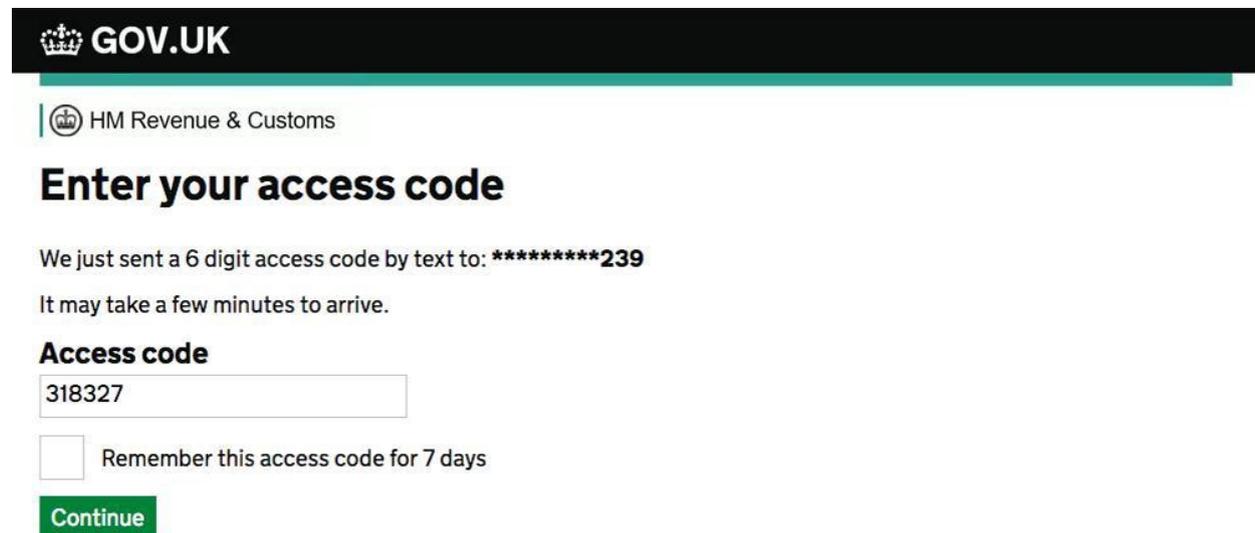
GOV.UK

HM Revenue & Customs

Enter your access code

We just sent a 6 digit access code by text to: ********239

It may take a few minutes to arrive.

Access code

318327

☐   Remember this access code for 7 days

Continue

Once logged in you will see the screen below and will need to confirm our authority to access your VAT information

If we already have authority to submit your returns, or once you have authorised us to do so, you will see the VAT submission details in order to review and confirm the submission.

Once confirmed your return will be submitted, you will see the result of this and you will be given a reference number. Details of the return will be emailed to you and you can print these using the print button.
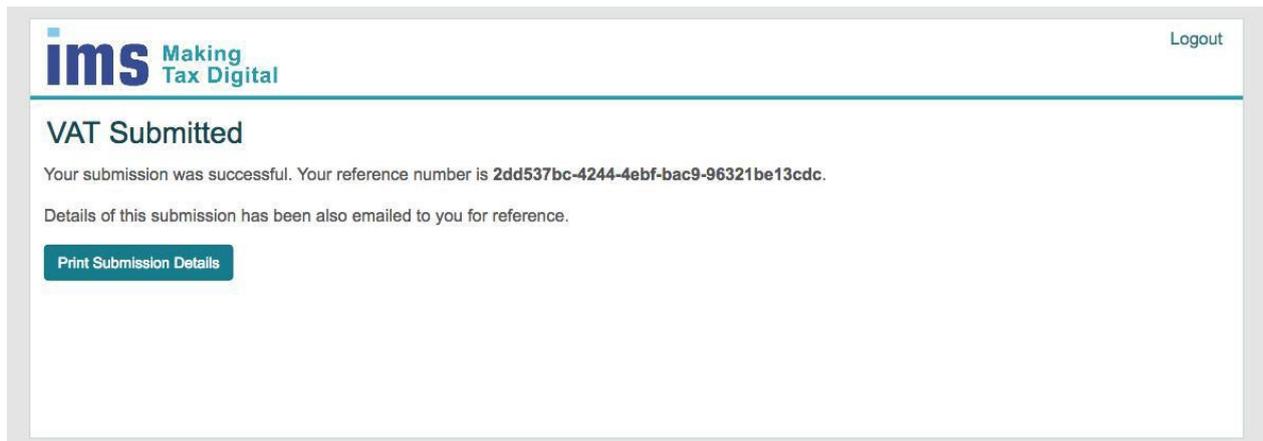
You will also receive the below email confirmation of the details of your submission.

From: **IMS MTD** <solutions@imsolutions.info>
Date: Tue, 11 Feb 2020, 11:59
Subject: IMS Making Tax Digital - VAT Return Submitted Successfully
To: <YOUR EMAIL ADDRESS>

Your VAT return was submitted successfully. The details of this are below.

Receipt ID: 22efb868-a499-4c4b-bc84-6593455a6876
Receipt Time: 11-Feb-2020 11:59am
Period From: 1-Oct-2019
Period To: 31-Dec-2019
VAT Due Sales: £ 150,534.44
VAT Due Acquisitions: £ 9,662.74
Total VAT Due: £ 160,197.18
VAT Reclaimed Current Period: £ 173,637.39
Net VAT Due: £ 13,440.21 (This is the repayment value)
Total Value Sales Excluding VAT: £ 1,155,753
Total Value Purchases Excluding VA: £ 913,746
Total Value Goods Supplied Excluding VAT: £ 46,667
Total Acquisitions Excluding VAT: £ 39,233

If you want to view any information that has been submitted to HMRC through MTD, please go to the Homepage as below:
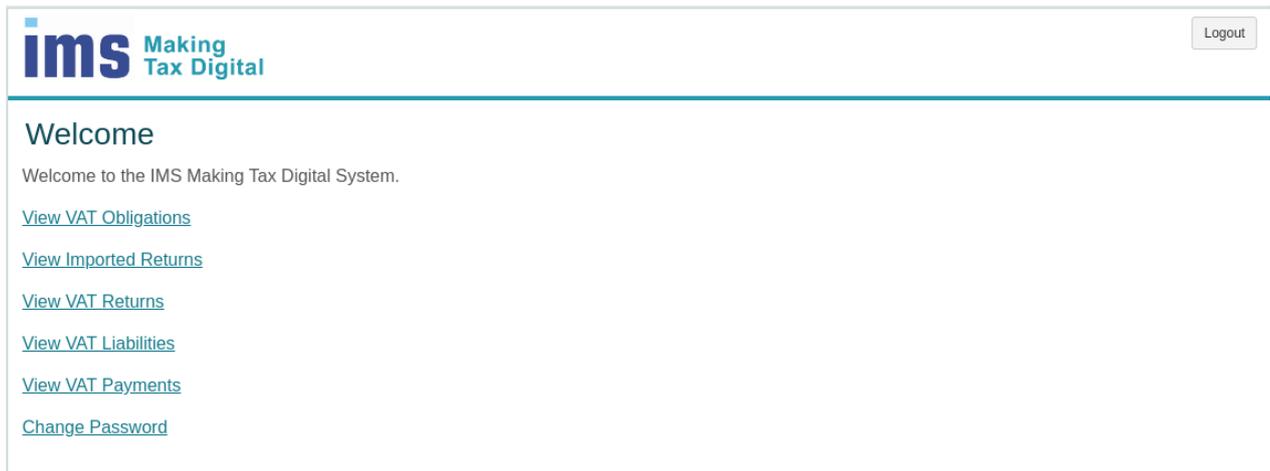
Each of thes options allows you to view historic details. If you go to the 'View VAT Returns' you see the options below:

If you then drill down into any of the displayed Returns, you see this screen:

ims Making Tax Digital

Home   View VAT Returns   View VAT Return

View VAT Return

Download as PDF

The following is information regarding this return that we have stored for viewing and auditing purposes.

Return Imported	4-Feb-2020 5:06pm
Period From	1-Oct-2019
Period To	31-Dec-2019
Return Submitted	5-Feb-2020 7:31am
Receipt ID	126530f5-b4ad-4f53-90ef-061523eb5ebd
Receipt Time	5-Feb-2020 7:31:49am
Processing Date	5-Feb-2020 7:31:52am
Form Bundle Number	096002756758
Payment Indicator	
Charge Reference Number	XH007007165954

This also provide the facility to download a PDF copy for your records.

IN SUMMARY

The IMS MTD solution will automate the submission of VAT returns (with ongoing development for other tax submissions) from System 21. The customer has a chance to review the figures before final submission. The system has been developed by IMS, it will be hosted and managed by IMS as part of our support program that we have excelled in, in over 25 years of business growth.

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