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MTD COMPLIANCE 2019

A GUIDE TO HRMC'S SOFT LANDING APPROACH FOR MAKING TAX DIGITAL

Inforlogic compliance to "soft landing" for MTD submission for use up to April 2020 for all versions that can change report output to Excel.

This solution is compliant:

- Meeting requirements of the 12 months "soft landing" offered by HMRC. It uses the accounting functionality within CloudSuite Industrial/SyteLine to transfer Vat Information directly to Excel. Once there it can be submitted to HMRC via bridging software – https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat#para-3-3 - go to point 7 on the attached link and refer to examples 5 & 7 to see how we will be compliant to the HMRC requirements up to 1 April 2020

- The bridging software that we are working with is https://www.neilsonjamestech.co.uk/ - please find his approval for HMRC on the link https://www.gov.uk/guidance/software-for-sending-income-tax-updates#VAT

- Following which the APAR can be applied and tested for versions 8.03.10 upwards during the next 12 months.

- Following April 2020 for those running older versions of SyteLine (CSI), Inforlogic are continuing to explore options where the VAT Return is compiled in the solution and a CSV file is outputted and picked up by the bridging software for submission, therefore we will have a complete "digital link", issues are arising from ensuring all posts are captured and included in the correct boxes. Further development, testing and confirmation from HMRC experts is required before Inforlogic can confirm this will be available and fully compliant.

Disclosure

This guide is designed to offer users of SyteLine and CloudSuite Industrial a means to extract data to excel and submit using a 3rd Party bridging software to HMRC (the bridging software mentioned in this guide is the option we tested but alternative solutions are available).

It is the end user's responsibility to check the extraction of data and carry out the necessary reconciliation process. It is also the end user's responsibility to ensure that boxes 1-9 of the VAT Return are reconciled back to the electronic extraction of data prior to submission. Inforlogic recommend you carry out comprehensive testing prior to your first HMRC submission.

Technical set up – Making Tax Digital – switching EU VAT report to Excel output for versions running dataviews, Crystal reports and SSRS reports

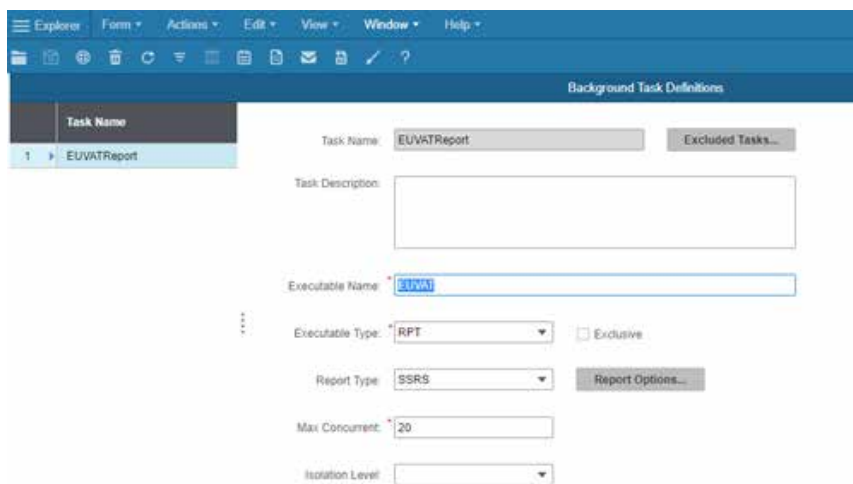**Step 1 –** Check the background task definition for the EU VAT report

Versions already running the report as an SSRS or Crystal report the solution can be left as it is.

If you are running **version 9.01** this will be a dataview output and needs to be exported to Excel. This can either be done from the dataview, if you have already defined the layout required to get totals for boxes 1-9. Alternatively, it can be reverted to an SSRS report layout and sent to Excel.

To change the report back to SSRS go to:

- Open **Background task definitions**
- Filter on EUVATReport
- Change the Executable Name from EUVAT Report-ReportOutput to EUVAT
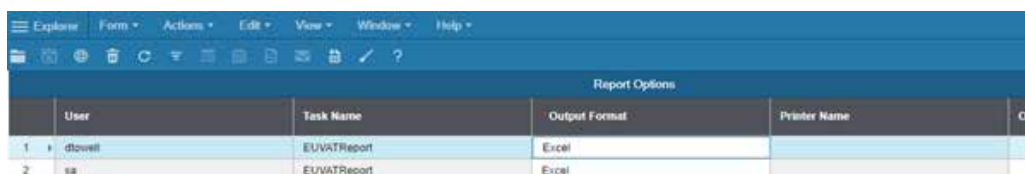- Change Report Type to SSRS

This assumes you have SQL services report server installed with 9.01 (on premise versions only)

Step 2 - Once the report has been defined as either an SSRS or Crystal report (version dependant) the output can then be set to Excel.

This is done on a user by user basis on the report options form.

- Open **Report Options**
- Add new
- Select required User
- Select Task Name – EUVATReport
- Select Output Format – Excel

Finance Department - Making Tax Digital – MTD-VAT template set up

Create a MTD-VAT worksheet template for re-use.

- Create a new Excel workbook and worksheet MTD-VAT as per below

Workbook and Worksheet Definition:

- Workbook: The workbook can be saved as an Excel '.XLS', '.XLSX', '.XLSM' or '.XLSB' format.
  The name of the workbook can be any name you wish, for example: 'My VAT Return.xlsx'.

- Worksheet: The name of worksheet containing the VAT Return details should be set to 'MTD-VAT'.
  This will enable the software to locate the required worksheet.

- Note: It is normal to expect that other worksheets already exist within the workbook, that contain your transactions and formulas that contain your Box totals.

- Workbooks Containing Multiple VAT Returns: To cater for workbooks that contain details of multiple VAT Returns, for example, an annual workbook containing the 4 quarterly VAT Returns or the 12 Monthly VAT Returns, you can add up to 12 individual worksheets named 'MTD-VAT1' to 'MTD-VAT12'. The software will inspect each of these worksheets and attempt to match the Period Start and End Dates to the Obligated VAT Return.

'MTD-VAT' Worksheet Cells Definition:

- Cell B1: contains the Taxpayer or Trading Name
- Cell B2: contains the VAT Registration Number
- Cell B3: contains the Period Start Date. Format: DD/MM/YYYY
- Cell B4: contains the Period End Date. Format: DD/MM/YYYY
- Cells B5 to B13: contain the values for Boxes 1 to 9.
- Box 1 to 5 values should contain no more than 2 decimal places
- Box 6 to 9 values should contain no decimal places (i.e. whole numbers only)

Example: 'My VAT Return.xlsx'

	A	B
1	Business name	Neilson James Technology
2	VAT registration number	123456782
3	VAT return from date	01/01/2018
4	VAT return to date	31/03/2018
5	Box 1: Output VAT	58.84
6	Box 2: EC acquisitions VAT	0.00
7	**Box 3: Total output VAT**	**58.84**
8	Box 4: Input VAT	3,646.66
9	**Box 5: Net VAT due**	**-3,587.82**
10	Box 6: Total sales	90,296
11	Box 7: Total purchases	27,974
12	Box 8: Total EC sales	0
13	Box 9: Total EC purchases	0

MTD-VAT   Other sheets..   ⊕   ⋮

Finance Department - Making Tax Digital – Monthly process

Step 3 - Print the EU VAT report for the required period

Step 4 – Open report in Excel

- Open **Report Output Files**
- View the relevant EUVAT output – this will be output file referenced .xls
- This file will open in Excel

Step 5 – VAT reconciliation

The Excel workbook will have 2 active worksheets:

• Sheet 1 - Header for EUVAT report.

• Sheet 2 - EUVAT report detail with Boxes 1-9 data required for VAT submission.

• Rename the worksheets and Save this as the current period VAT Return – e.g. QTR1_VATRETURN_ LOND (something that can recognised as the file required for current submission).

If you have posted manual VAT journals this will need to be added as a separate worksheet to the VAT Return – either via the VAT report (version 9.01) or ledger extraction. These can then be reconciled to provide the relevant tax totals for boxes 1-9 for submission.

Note that no matter what version you are running the EU VAT report does not include manual postings to the input and output VAT ledger codes. Below is the standard functionality for this report as per 9.01 Financials user guide.

Reporting Documents the EU VAT information is included on these reporting documents:

• EU VAT Report or VAT Report. Use the EU VAT Report form to capture information about the value of intra-community sales and purchases. This information is required for the European Union (EU) Value Added Tax (VAT) Report. This report extracts information for boxes 1-7 from invoice and voucher sales tax information, and boxes 8 an 9 from Invoice Register and A/P Voucher Register line items, grouped by tax code.

Version 9.01 includes a VAT Report which shows the manual postings alongside distribution journal entries included in the EU Vat Report, those customers running older versions are likely to already have a process in place ascertain what the manual postings are – this is likely to be from ledger transactions postings exported to Excel for reconciliation (this process doesn't need to change).

For those customers on 9.01:

• Use the VAT Report form, which is a more detailed version of the EU VAT Report form, to extract information from invoice and voucher sales tax information, from the Invoice Register and A/P Voucher Register line items and from the manual journal entries tax table. The information can be grouped in various ways to provide subtotal amounts that can be used to fill in the VAT reports that are required by tax authorities in some EU countries.

Step 6 – Creating worksheet for submission to HMRC

Copy the MTD-Vat worksheet template into the current period VATReturn workbook onto a blank worksheet rename the worksheet to MTD-VAT – see below for worksheet set up for bridging software.

Complete the relevant boxes 1-9 for VAT submission - Excel workbook will look like something like:

- • Sheet 1 – EU VAT report header
- • Sheet 2 – EU VAT report detail
- • Sheet 3 - VAT Report or G/L extraction
- • Sheet 4 - MTD-VAT (submission sheet for bridging software)

Bridging software details - Note this is an independent bridging software alternatives are available

https://www.neilsonjamestech.co.uk/vat-summary.php

Please find his approval for HMRC on the link: https://www.gov.uk/guidance/software-for-sending-income-tax-updates#VAT

Main Features

- Fully MTD compliant
- The software can be installed on a local computer of a central server
- HMRC responses can be viewed on screen, printed or saved as PDF file
- Retains a full history of submissions and receipts returned by HMRC
- Facility to amend, delete and search for Taxpayers (Relevant mainly to Agency versions)
- For the Agency versions, an 'Obligation Manager' function is available to assist in the management of returns, including Taxpayers without an obligation and a chronological list of outstanding obligations
- Facility to check for new versions automatically, then download and transfer data
- Facility to backup and restore all data

Minimum System Requirements

- **Microsoft Windows:** Windows 7 onwards. Both Windows '32-bit' and '64-bit' versions are supported.
  Note: All 'Important' Windows & Microsoft Updates should be installed, particularly for Excel 2007 & 2010.

- The most effective way to do this is to configure your computer to install 'Windows' Updates automatically and to tick the 'Microsoft' options box.

- The 'Windows Update' routine can be found within your Windows 'Control Panel'. Then click on 'Change Settings'.

- **Web Browser:** Since the version 2.0 release, it is no longer compulsory to use the Microsoft Internet Explorer. The bridging software now automatically launches your default Web Browser when required.

- **Microsoft Excel:** Excel 2007 (service pack 3) and Excel 2010 (service pack 2) onwards.
  Note: Now supports both '32-bit' and '64-bit' versions of Microsoft Excel.

- Plus, a reliable internet connection.

Important note for Excel 2007 & 2010 users

Early releases of Excel 2007 & 2010 contained serious errors and security issues. Some of these errors may not be encountered during normal use. However, the bridging software uses certain advanced features of Excel, which will trigger these errors. Consequently, all 'Important' Windows & Microsoft updates should be installed as described above.

Demonstration software

If you wish to follow the process through end to end before going live with the bridging software – link to demo: https://www.neilsonjamestech.co.uk/vat-demo.php

Before you start you need to download the software and adjust the trust settings to allow the MTD workbook to work.

How to Install

1. Create a folder on your computer. For example, "C:\My MTD VAT Returns".

2. Download the 'NJT VAT Return Manager (MTD)' workbook, then (move or save) it to the new folder, for example, "C:\My MTD VAT Returns".

    Note 1: Alternatively, the software can be downloaded during the purchasing process. Click on the button to download the MTD VAT Return Manager (Live evaluation). The link will take you to a download of the live solution: https://www.neilsonjamestech.co.uk/vat-install.php

    Note 2: The download process may vary depending upon which Internet browser you use and the browser's configuration.

    Note 3: It is recommended that you store the workbook within its own folder as certain sub folders are automatically created when the workbook is opened.

3. Open a blank workbook in Excel then change the Options as described in the 'Excel Configuration' section below. Then exit Excel.

4. Finally, Open the 'NJT VAT Return Manager (MTD)' workbook and follow the on-screen instructions.

Excel Configuration

Microsoft has taken a much tighter approach to software security. As a result of this, some Excel features are disabled during initial installation. In order for the VAT Return Manager to function correctly, a few changes are required within the Excel Options.

Open a blank workbook. (For recent versions of Excel, Click on 'File' menu, then 'Options', then 'Trust Centre' then click on 'Trust Centre Settings').

Note: For Office 2007, Click on the 'Office' button as the 'File' menu does not exist.

1. **Trusted Locations:** Add the 'Location' of the folder where you saved the workbook, (For example, "C:\My MTD VAT Returns"). Also tick the box 'Subfolders'.

2. **Macro Settings:** Tick the box 'Trust Access to the VBA project model'.

3. Finally, click on the 'OK' button.

'NJT VAT Return Manager (MTD) – the following user instructions are held within the bridging software the below has been taken as at version 2.7 released 24th Feb 2019 so may change please refer to the software for any updates to the user guides.

Outline Process

Initial Setup:

1. Accept the software 'Terms of Use':

- Click on the 'Terms of Use' button
- Read the Terms of Use and Privacy Notice
- Click on the 'Accept' button

2. Add a Taxpayer record:

- Click on the 'Add' button
- Then populate the Taxpayer Name, VAT No, Reference (Optional), set Status to 'Active', set HRMC Account Type to 'Agent' or 'Single'
- Click on the 'Save' button

3. Grant Authority for 18-months:

- Click on the 'Grant Authority' button
- A message will be displayed explaining the process
- You will be re-directed to the HMRC website, via the Internet Explorer browser, and prompted to login then grant authority
- Then close the browser and return to this software
- A message will be displayed

Note: You may need to click on the Dashboard before the message can be displayed.

Normal VAT Return Cycle

1. Add any new Taxpayer records where required (Agency Licences only)

2. Select a Taxpayer from the 'Taxpayer Records' list (Agency Licences only)

3. Retrieve Obligation (where not already retrieved):

- Click on the 'Retrieve Obligation' button
- A new obligated VAT Return will be retrieved from HMRC

Note 1: The VAT Return Status will be set to 'Open'.

Note 2: You can retrieve the obligation again, in case your circumstances have changed since the last retrieval. The current obligation will be updated)

4. Import your prepared VAT Return from your chosen source:

- Click on the 'Import' button (The Import window will be displayed
- Select the Import Type from the drop-down list
- Click on the 'Find VAT Return' button
- Locate the desired file, via the browser, then click on the 'Open' button (The details will be validated)
- Click on the 'Save' button

Note: The VAT Return Status will be set to 'Draft' and the file location will be saved for the next time you import a VAT Return for this Taxpayer.

5.   Submit your VAT Return to HMRC:

•   Make sure you tick the Declaration Box
•   Click on the 'Submit to HMRC' button

Note 1: When complete, the VAT Return Status will be set to 'Fulfilled' and the 'HMRC Receipt' Tab will be displayed.
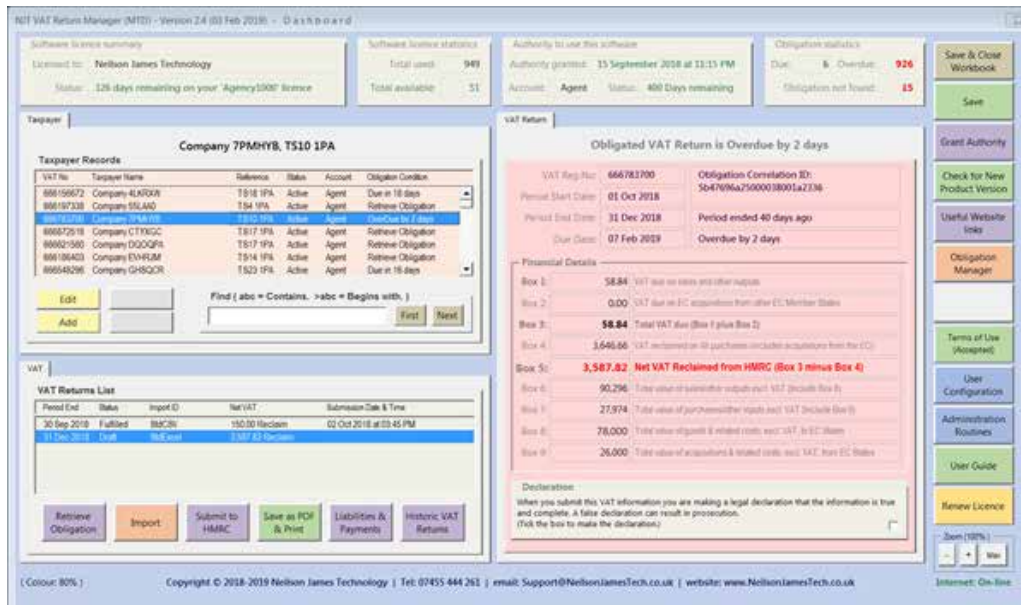
Note 2: This Routine also prompts you to retrieve your next obligation.

6.   Print VAT Return or save as a PDF file:

•   Click on the 'Print or 'Save as PDF' button
•   Select 'Print or 'Save as PDF' from the Option buttons
•   Click on the 'Accept' button

Note: PDF documents are saved, by default, to the sub folder '\Receipts'). However, you may change the default folder location for each Taxpayer via the 'Change Folder' button.

'NJT VAT Return Manager (MTD)' example screenshot

Updates to bridging software

If there is an update to the bridging software the solution will automatically prompt you to update, please follow the instructions within the solution.