

MAKING TAX DIGITAL FOR BUSINESS ADDENDUM TO VAT NOTICE

VAT CUSTOMER JOURNEYS

This document supplements the guidance set out in Section 3 (Digital Record-Keeping) and Section 4 (VAT Returns) of the VAT notice.

The scenarios set out in this document are intended, for the MTDfB requirement for digital record-keeping and the digital reporting of VAT to HMRC, to outline the extent to which each part of the journey will need to link digitally to each other, where different digital record-keeping options are used. These journeys are not intended to be exhaustive or prescriptive, but merely to represent the more common scenarios.



Information transfer for VAT : General principles

- Information transfer between interfaces must be digital where the records are part of the MTDfB journey (i.e. information that MTDfB mandates that businesses keep digitally):
 - HMRC anticipates that there will be a soft landing period (without application of record-keeping penalties) in the first year to allow businesses, in certain circumstances, extra time to update legacy systems to be fully compliant.
 - The transfer of data from the mandatory digital records through to receipt of information by HMRC must be digital.
- Information can only be submitted to HMRC via APIs, this can be from software, bridging software or API enabled spreadsheets. *Part of this process will include the VAT legal declaration by the customer. This may be done through either the software (including bridging software), or API enabled spreadsheet, or through a prompt presented to the customer by HMRC systems.*
- The legislation will specify what needs to be digitally recorded.
- Digital transfer includes options such as XML import/export, macros or linked cells, but does not allow manual transfer or transposition of data.
- The VAT Notice defines “*functional compatible software*” as “*a software program or set of compatible software programs the functions of which include—recording and preserving electronic records in an electronic form; providing to HMRC information from the electronic records and returns in an electronic form and by using the API platform; and receiving information from HMRC using the API platform in relation to a person’s compliance with obligations under these Regulations which are required to be met by use of the software*”.
- Adjustments, such as partial exemption, can be calculated separately outside the digital records of the organisation and transferred in digitally or manually – i.e. this step is not part of the MTDfB journey.
- The complete set of digital records to meet MTDfB requirements do not all have to be in one place; digital records can be kept in a range of compatible digital formats. Taken together, these form the business’ digital records. As already set out in HMRC guidance, VAT registered businesses can continue to maintain valid invoices either in paper or electronic form.



JOURNEYS

Slide 4 – Using a single, API enabled software package

Slide 5 – Using a single spreadsheet (either API enabled or with bridging software)

Slide 6 – Using multiple spreadsheets (either API enabled or with bridging software)

Slide 7 – Using non-API enabled software and calculating returns in spreadsheets

Slide 8 – VAT for Group companies using multiple record keeping methods and spreadsheets to calculate VAT return

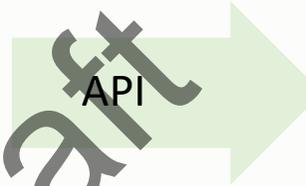
Slide 9 – Adjustments, journals and non mandatory digital transfers

Slide 10 – digital transfers and adjustments in agent journeys

LEGEND



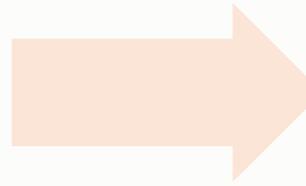
Data must be imported/ exported between programs without manual intervention



API for direct submission of data to HMRC



Data should ideally be imported/exported between programs digitally, but in first year a “soft landing” will be applied to allow businesses time to update legacy systems



Data input / export may be digital or manual

Draft



Where information transfer for VAT must be digital

Example 1: One MTDfB compatible software package – HMRC

Records for VAT maintained, and VAT return calculated and prepared by API enabled software

Compatible software will be used to maintain the mandatory digital records, calculate the return and transfer data to HMRC using an API

API

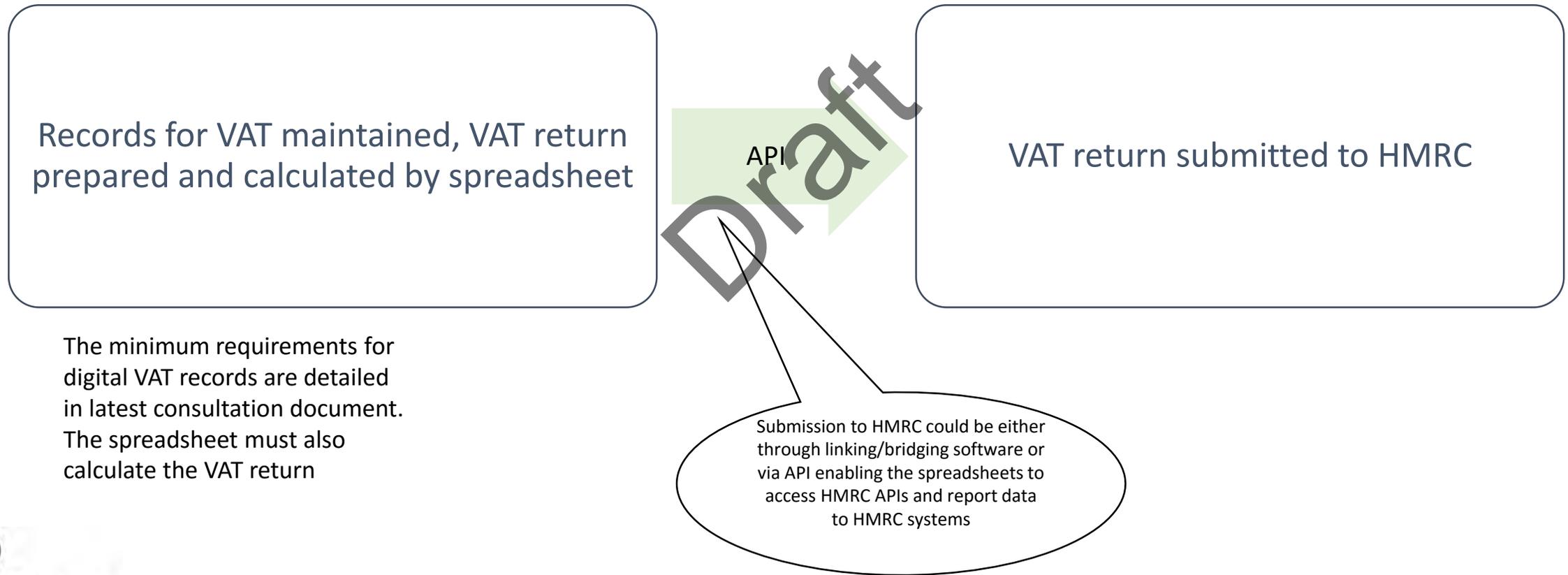
VAT return submitted to HMRC

Draft



Where information transfer for VAT must be digital

Example 2: One spreadsheet (API enabled or with bridging software) – HMRC



Records for VAT maintained, VAT return prepared and calculated by spreadsheet

VAT return submitted to HMRC

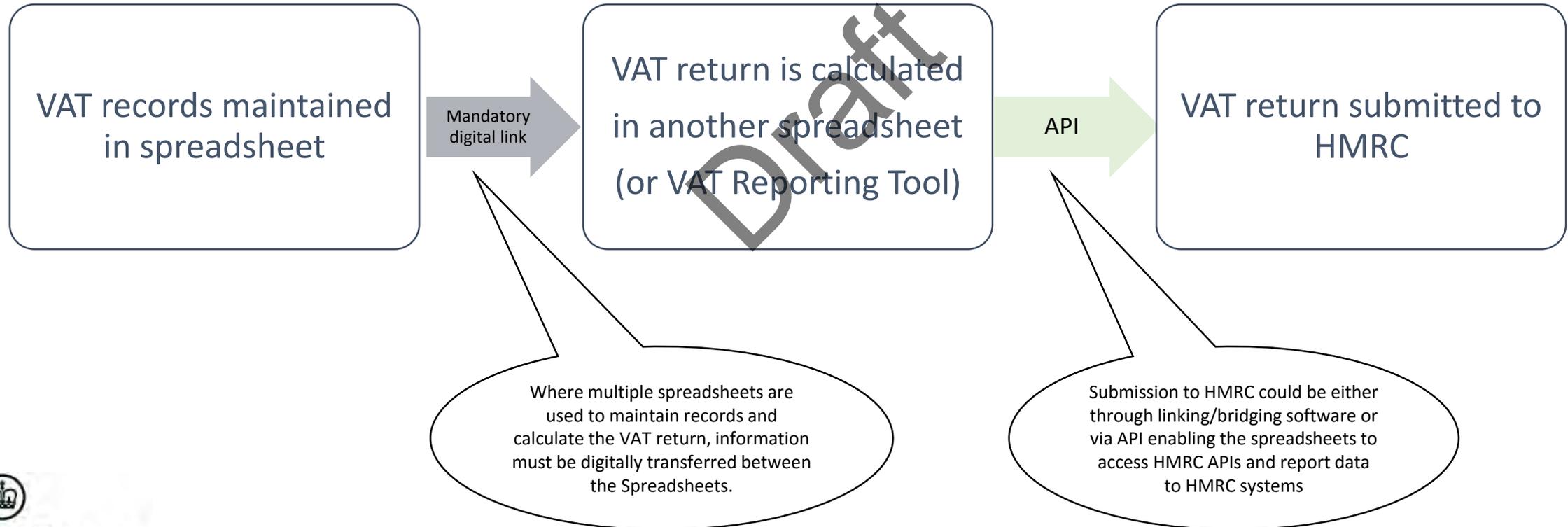
The minimum requirements for digital VAT records are detailed in latest consultation document. The spreadsheet must also calculate the VAT return

Submission to HMRC could be either through linking/bridging software or via API enabling the spreadsheets to access HMRC APIs and report data to HMRC systems



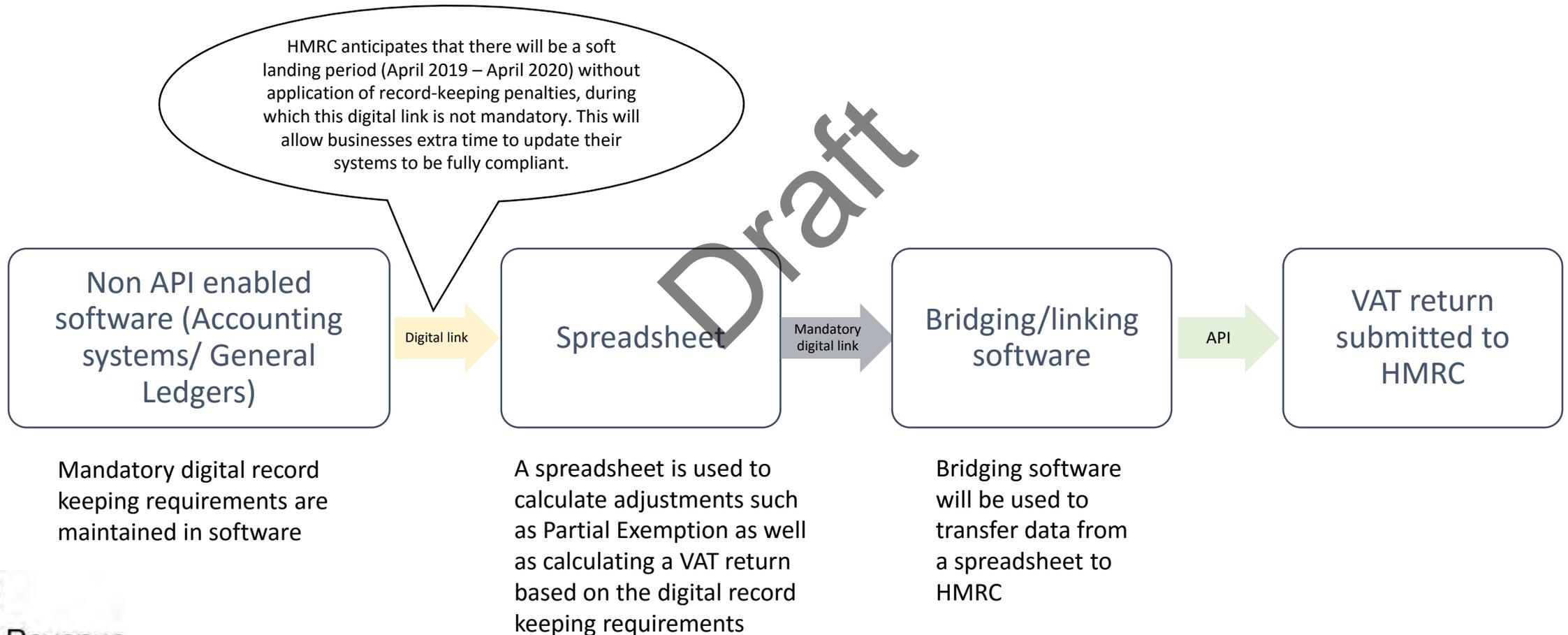
Where information transfer for VAT must be digital

Example 3: Multiple spreadsheets (API enabled or with bridging software) – HMRC



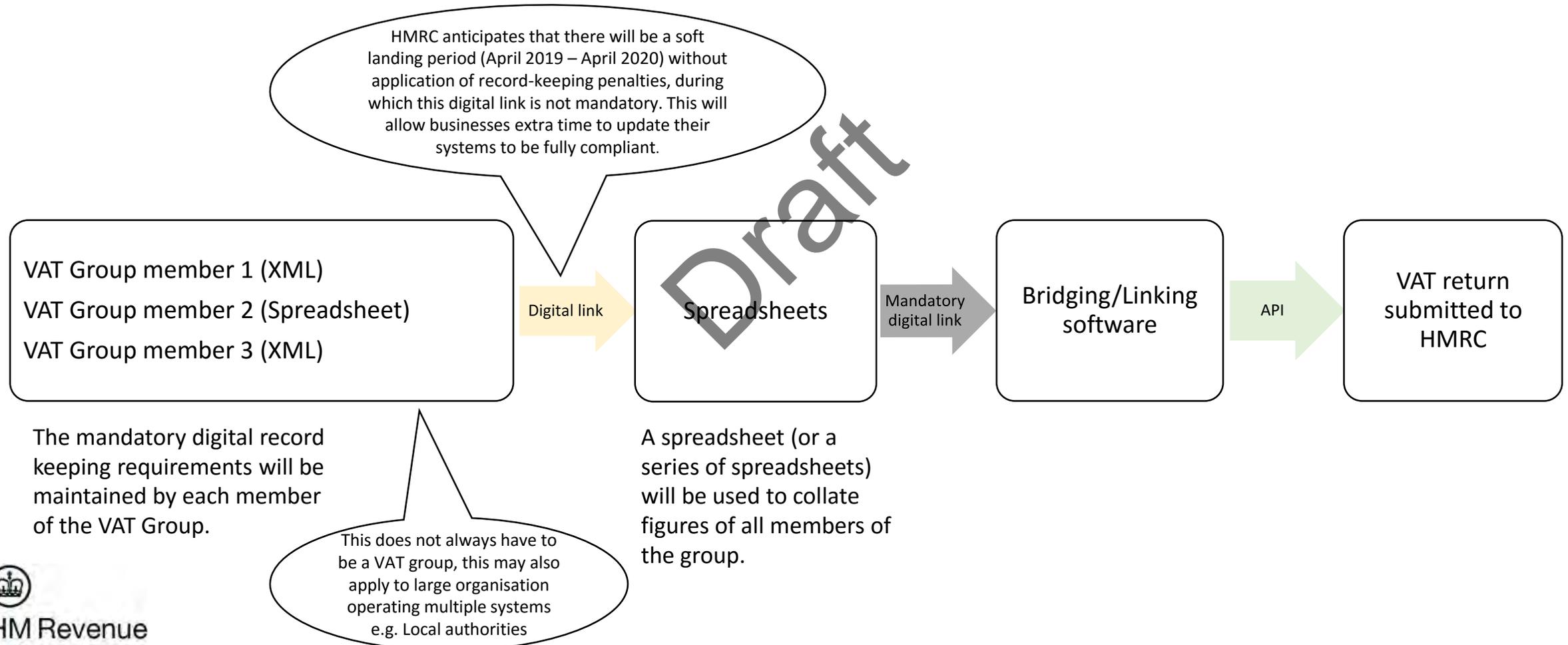
Where information transfer for VAT must be digital

Example 4: Non Compatible software – spreadsheet – bridging software – HMRC



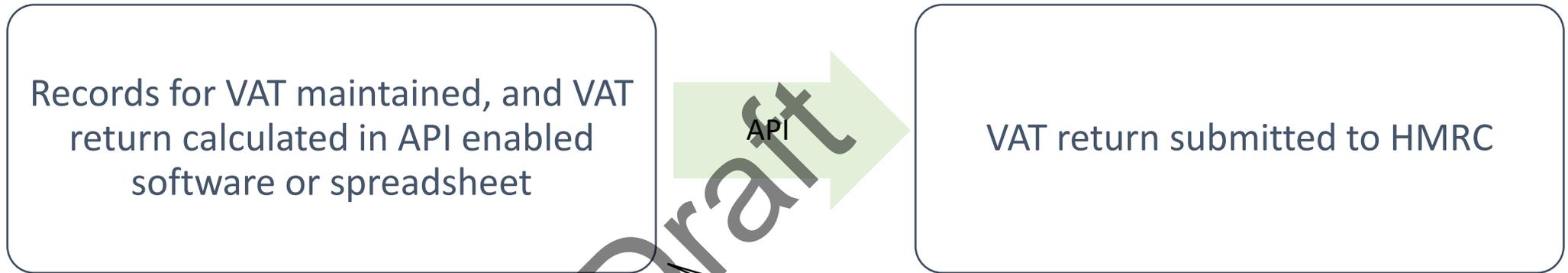
Where information transfer for VAT must be digital

Example 5 (VAT for Group companies): Software – spreadsheet – HMRC

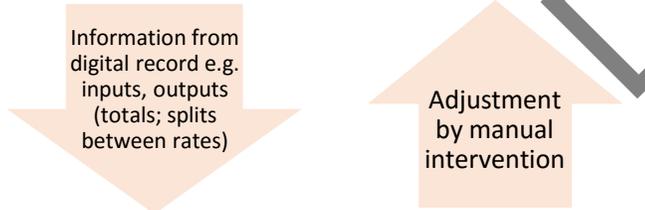


Adjustments, journals and non mandatory digital transfers

Example 6: Software – Spreadsheet – Software – HMRC



Information from other records not mandated to be kept digitally e.g. floor space used, stock book, country info – for tour operator supplies.



Spreadsheet

A spreadsheet is used to calculate adjustments e.g. Partial Exemption

The digital records may be maintained in a separate spreadsheet/software and the VAT return may then be calculated by a VAT compliance/reporting tool.

Digital transfers and adjustments in agent journey

Example 7: Software – agent software – HMRC

