

# Making Tax Digital for VAT

21 September 2018



# Welcome

Vinny McCullagh

VAT Partner

# Welcome

## VAT Technical Team



**Vinny McCullagh**

Partner



**Karen Robb**

Partner



**Olya Bondar**

Senior Manager



**Alex Baulf**

Associate Director

## Tax Technology Team



**Andrew Burman**

Partner



**Phill Peachman**

Associate Director

# Immarsat tour- please drop in your cards

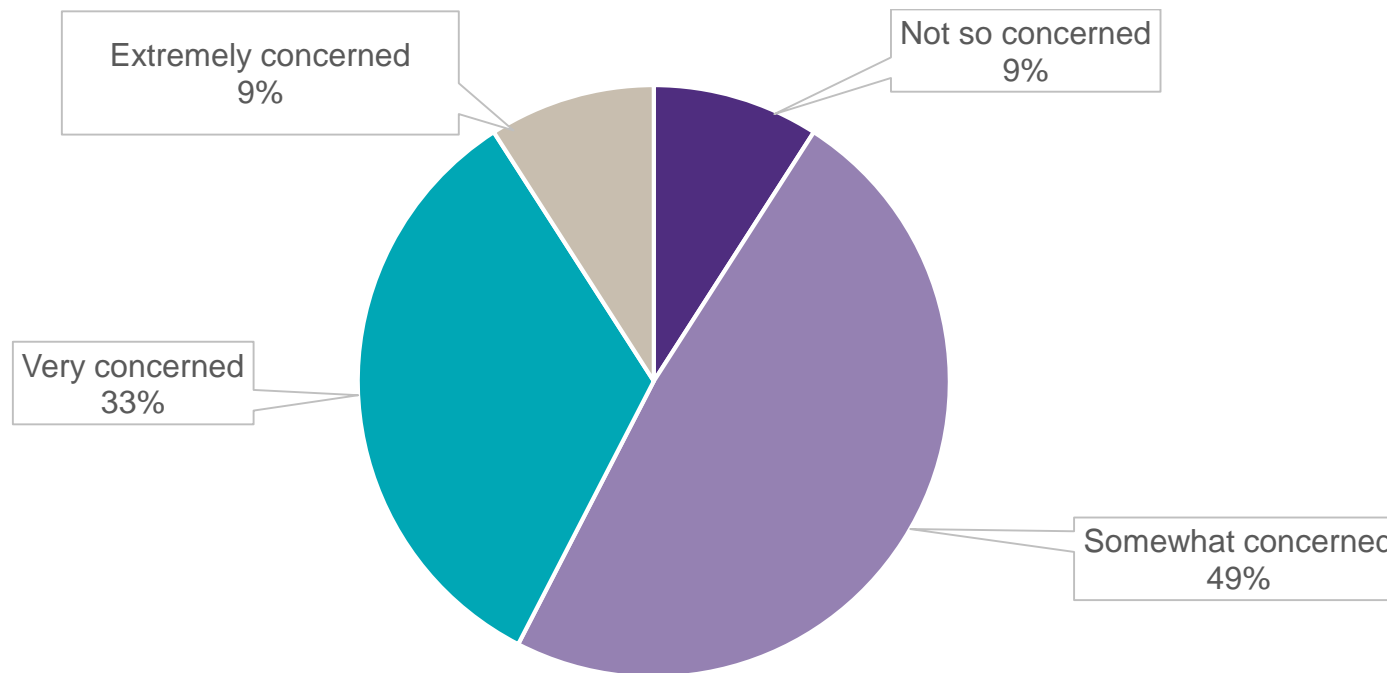


# Agenda

1. HMRC – overview of MTD, HMRC’s guidance and pilot feedback
2. Grant Thornton – your journey to getting ready for MTD
3. HMRC – discussion of particular scenarios and practical issues
4. Grant Thornton – tax technology and software solutions
5. Panel discussion

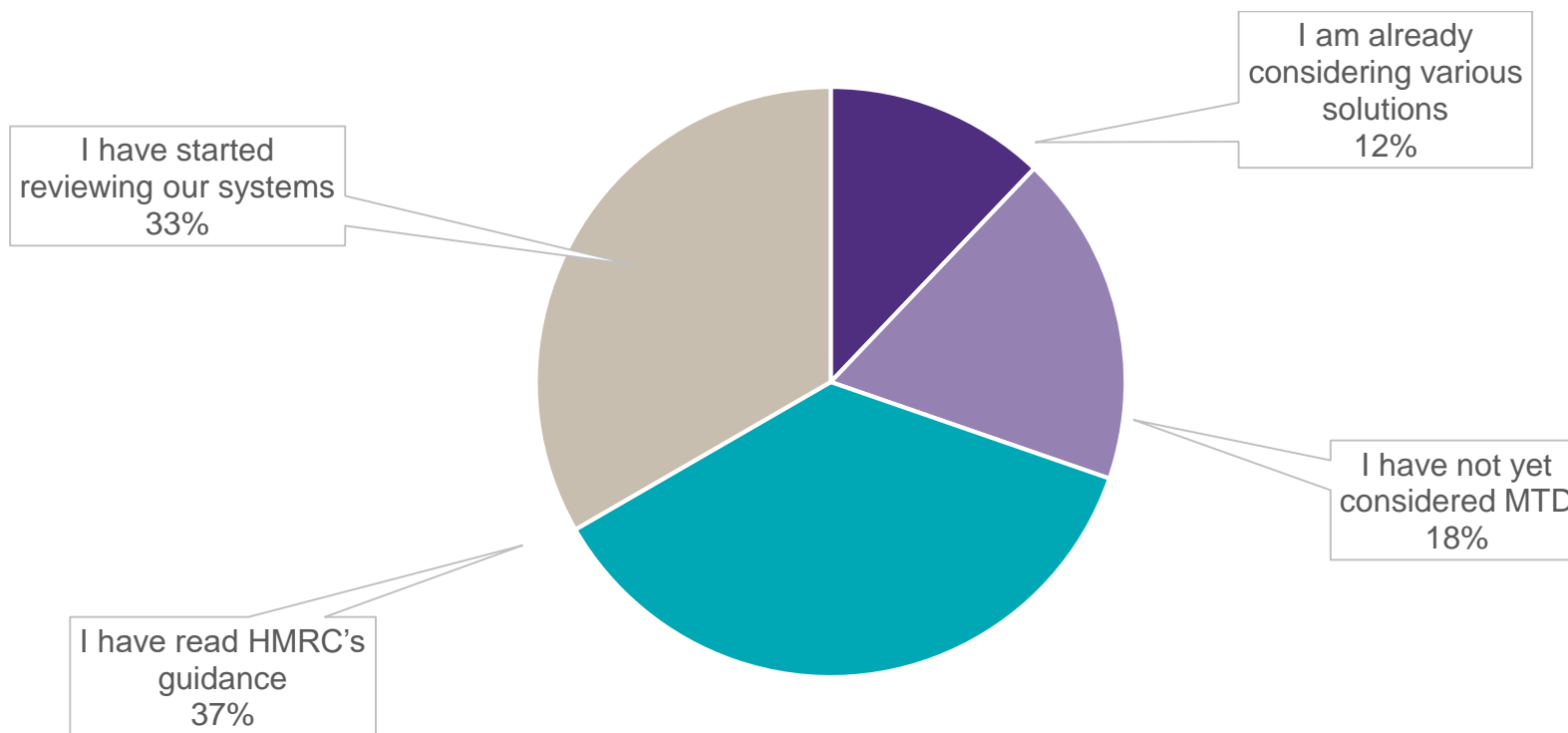
# Survey results: Question 1

How concerned are you about Making Tax Digital and its implementation for your organisation?



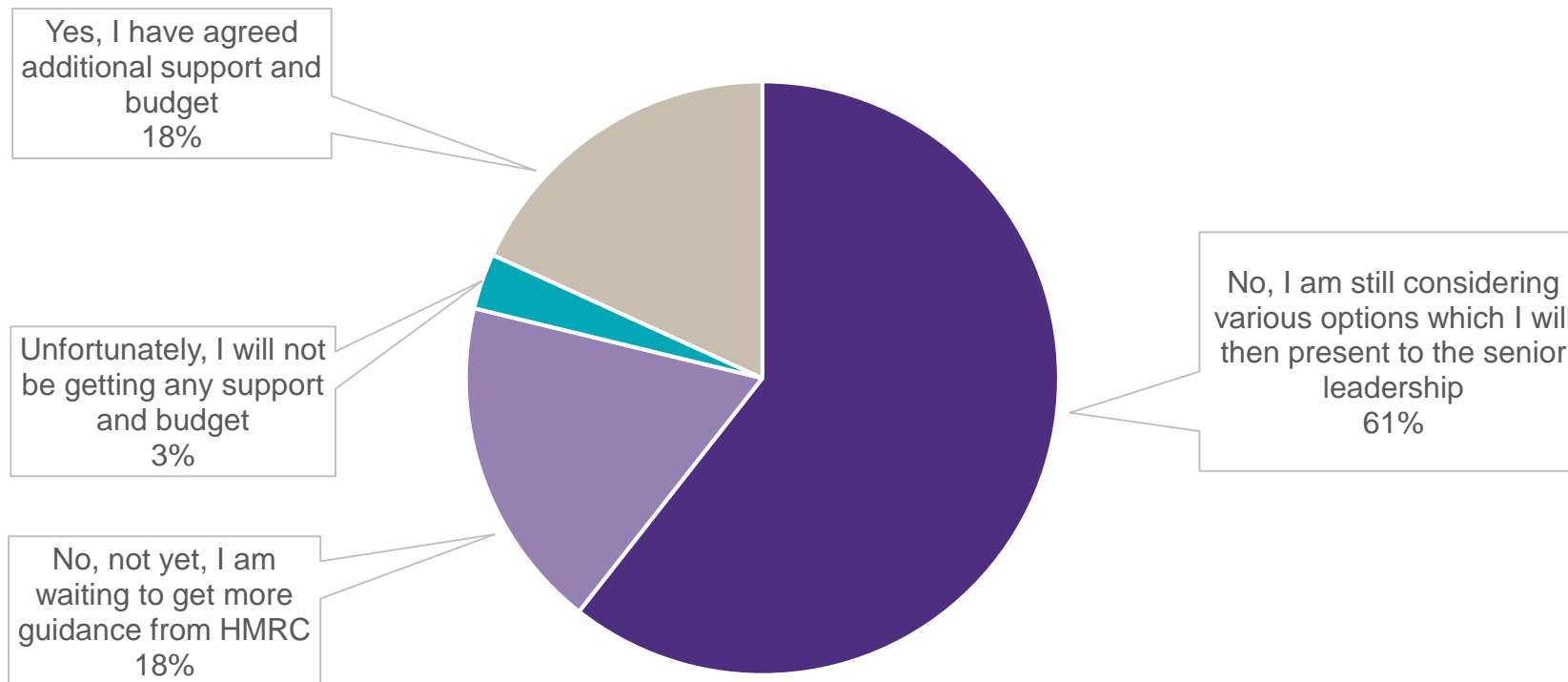
# Survey results: Question 2

Have you started preparing for Making Tax Digital?



# Survey results: Question 3

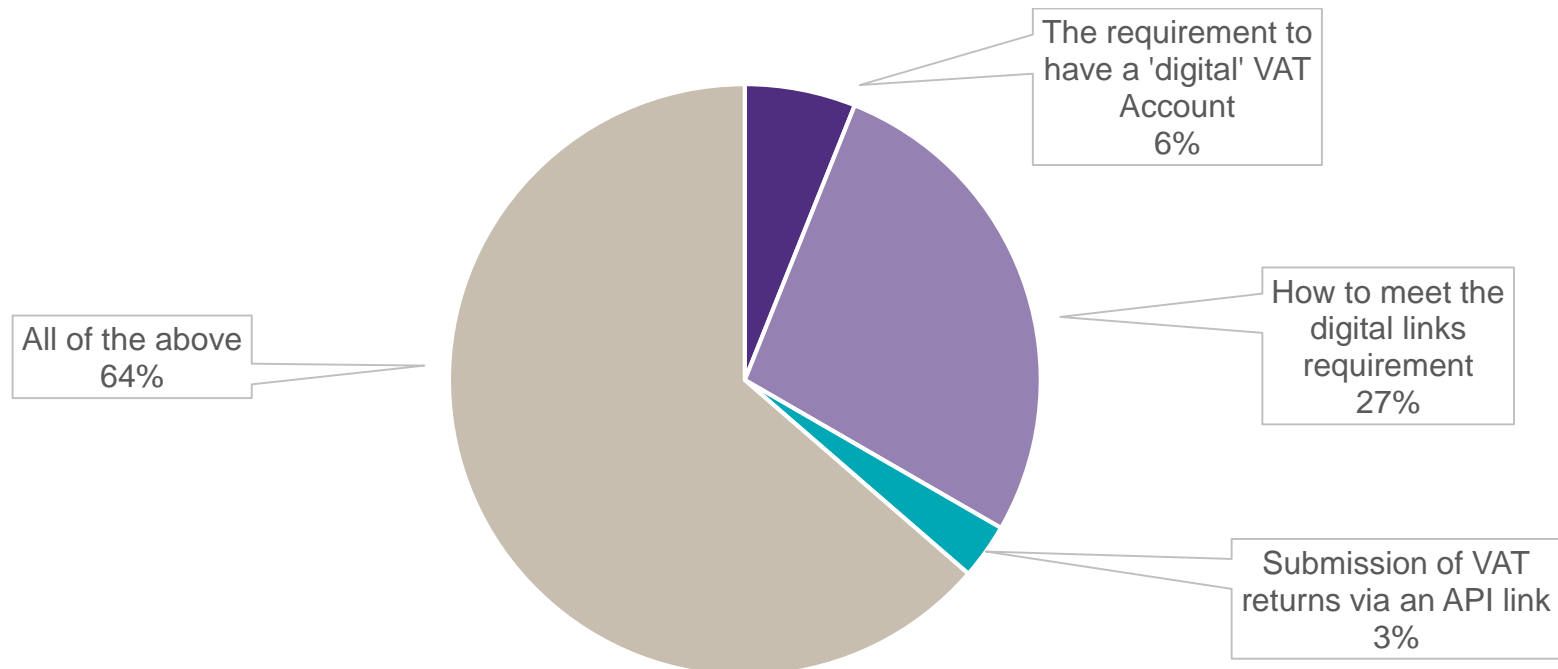
Have you raised MTD as an issue requiring support and potential budget with the senior leadership of your organisation?





# Survey results: Question 4

What are your main concerns regarding MTD?



# Making Tax Digital for Business

## September 2019



Heather Elliott

MTD Customer Readiness and External Stakeholder Team



HM Revenue  
& Customs

# Purpose of this event

Help you prepare for  
April 2019

- VAT Notice
- Joining the Pilot
- Answer questions



The screenshot shows a GOV.UK news story page. At the top, there is a navigation bar with the GOV.UK logo, a search bar, and links for Departments, Worldwide, How government works, Get involved, Policies, Publications, Consultations, Statistics, and Announcements. Below the navigation bar, the breadcrumb trail reads 'Home > Business & VAT > VAT'. The main heading is 'News story' followed by 'HMRC publishes more information on Making Tax Digital'. The sub-heading is 'More information on Making Tax Digital is now available to help businesses and agents understand what they need to do before the deadline.' The publication date is 'Published 11 July 2018' and the source is 'From: [HM Revenue & Customs](#)'. There is a blurred image of a person in a suit. To the right, under 'Related content', there are links for 'Explore the topic: VAT' and 'Paying HMRC'. At the bottom, a short paragraph states: 'HM Revenue and Customs (HMRC) has today published further information on Making Tax Digital (MTD) to support businesses and agents in the run up to the start of the mandatory MTD VAT service from April 2019.'

# We will cover

- Brief recap on the basics of MTD for VAT
  - What is MTD
  - Who's affected
  - When it happens
- Software
- Record keeping requirements
- Joining the Pilot



# Our vision



Making Tax Digital is making fundamental changes to the way the tax system works – transforming tax administration so it is more effective, more efficient and easier for taxpayers to get it right

# More information

The screenshot shows the GOV.UK website interface. At the top, there is a navigation bar with the GOV.UK logo, a search box, and links for Departments, Worldwide, How government works, Get involved, Policies, Publications, Consultations, Statistics, and Announcements. Below the navigation bar, the breadcrumb trail reads: Home > Dealing with HMRC > Tax agent and adviser guidance. The main heading is 'Guidance Help and support for Making Tax Digital'. The introductory text states: 'Watch webinars and videos for help with using software to send Income Tax updates and VAT Reports to HMRC if you're an agent or a business.' Below this, it says 'Published 31 May 2018' and 'From: HM Revenue & Customs'. There are two columns of content. The left column, titled 'Contents', lists three items: 'Making Tax Digital pilot for Income Tax', 'Agent services and Income Tax', and 'Making Tax Digital pilot for VAT'. The right column, titled 'Related content', lists four items: 'Detailed guidance', 'Agents: use software to send Income Tax updates', 'Get an HMRC agent services account', 'Find software suppliers for sending Income Tax updates', and 'Use software to send Income Tax updates'. At the bottom of the main content area, there is a paragraph: 'These webinars are aimed at businesses and agents interested in the Making Tax Digital pilots for VAT and Income Tax.' followed by another paragraph: 'If you want to attend an upcoming live event, register and sign in at least 5 minutes before it starts. You can ask your host questions using the on-screen text box.'

GOV.UK

Search

Departments Worldwide How government works Get involved  
Policies Publications Consultations Statistics Announcements

Home > Dealing with HMRC > Tax agent and adviser guidance

Guidance

## Help and support for Making Tax Digital

Watch webinars and videos for help with using software to send Income Tax updates and VAT Reports to HMRC if you're an agent or a business.

Published 31 May 2018  
From: [HM Revenue & Customs](#)

Contents

- [Making Tax Digital pilot for Income Tax](#)
- [Agent services and Income Tax](#)
- [Making Tax Digital pilot for VAT](#)

These webinars are aimed at businesses and agents interested in the Making Tax Digital pilots for VAT and Income Tax.

If you want to attend an upcoming live event, register and sign in at least 5 minutes before it starts. You can ask your host questions using the on-screen text box.

Related content

- [Detailed guidance](#)
- [Agents: use software to send Income Tax updates](#)
- [Get an HMRC agent services account](#)
- [Find software suppliers for sending Income Tax updates](#)
- [Use software to send Income Tax updates](#)

<https://www.gov.uk/guidance/help-and-support-for-making-tax-digital>

# What is MTD for Business?

Using MTD compatible software to

- capture business transactions
- prepare the VAT return
- send and receive information to and from HMRC via API\* enabled software



\* Application Programming Interface

# What is MTD for Business?

Many things won't change

- VAT return frequency
- payment deadlines
- eligibility for schemes



MTD for VAT is not changing what you do  
- but how you do it.



# Find out more in VAT Notice 700/22

The screenshot shows the GOV.UK website interface. At the top left is the GOV.UK logo with a crown icon. To the right is a search bar with the text 'Search' and a magnifying glass icon. Below the search bar is a breadcrumb trail: 'Home > [VAT Notice 700/22: Making Tax Digital for VAT](#)'. On the left side, there is a vertical menu with the HM Revenue & Customs logo and the text 'HM Revenue & Customs'. The main content area features a large blue banner with the text 'Notice VAT Notice 700/22: Making Tax Digital for VAT' and 'Published 13 July 2018'. Below the banner, there is a 'Contents' section with a list of items: '1 Introduction' and '2 Check if you have to follow the Making Tax Digital'. To the right of the list, there is a paragraph of text: 'This notice provides information further to the provisions of The Value Added Tax (Amendment) Regulations 2018 (SI 2018 No. 261), which amend the VAT Regulations 1995 ('the regulations').'

**GOV.UK** Search

Home > [VAT Notice 700/22: Making Tax Digital for VAT](#)

 HM Revenue & Customs

Notice  
**VAT Notice 700/22: Making Tax Digital for VAT**  
Published 13 July 2018

**Contents**

- 1 [Introduction](#)
- 2 [Check if you have to follow the Making Tax Digital](#)

This notice provides information further to the provisions of The Value Added Tax (Amendment) Regulations 2018 (SI 2018 No. 261), which amend the VAT Regulations 1995 ('the regulations').

# Who is affected – and when?

Section 2

Notice 700/22

# Who is affected – and when?

## Section 2 Notice 700/22

### **2 Check if you have to follow the Making Tax Digital rules**

#### **2.1 Turnover test (exemption on the grounds of taxable turnover)**

With effect from 1 April 2019, if your taxable turnover is above the VAT registration threshold you must follow the rules set out in this notice. If your taxable turnover subsequently falls below the threshold you will need to continue to follow the Making Tax Digital rules, unless you deregister from VAT or meet other exemption criteria ([see paragraph 2.2](#) of this notice).

Only businesses with taxable turnover that has never exceeded the VAT registration threshold (currently £85,000) will be exempt from Making Tax Digital. You will therefore need to keep an eye on your taxable turnover, especially if you think it is close to the VAT registration threshold.

VAT taxable turnover is the total value of everything you sell that is not exempt from VAT. [VAT Notice 700/1: should I be registered for VAT](#) provides more information on the VAT registration threshold and taxable turnover.

# Who is affected – and when?

**From April 2019 –**

VAT Registered businesses with a taxable turnover above the VAT threshold must follow the MTD rules

VAT threshold currently £85,000

From the first VAT period that starts on or after 1 April 2019.

# 'Functional Compatible Software'

## Section 3.2

Notice 700/22

A software program, or set of programs used to

- keep digital records
- send information and returns from data held in the digital records
- receive information from HMRC via the API platform



# Common queries

What is bridging software?

What is a digital link?

Does that include spreadsheets?

API enabled  
Bridging software  
Digital links between software

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Digital tool to connect accounting software to HMRC systems See 3.2

.3

# Common queries

What is bridging software?

Does that include spreadsheets?

API enabled  
Bridging software  
Digital links between software

What is a digital link?

Digital tool to connect accounting software to HMRC systems See 3.2.3

An electronic or digital transfer of data between software programs, products or applications.



# Digital links

Para 3.2.1  
Notice 700/22

An electronic or digital transfer of data between software programs, products or applications.

No manual intervention or re-typing information from one product to another.  
No copying and pasting

Does include XML import or export, and macros or linked cells in spreadsheets

# Common queries

What is the soft landing period

An extra year for businesses to arrange for digital links between all parts of their software.

3.2.1.1

Only applies to mandatory digital links. Must have digital record keeping and API product in place from the start.

# Records that must be kept digitally

Section 3.3

Notice 700/22

# Records that must be kept digitally

## Section 3.3 Notice 700/22

### **3.3 .1 Designatory data**

You must have a digital record of:

- your business name
- the address of your principal place of business
- your VAT registration number
- any VAT accounting schemes that you use

# Records that must be kept digitally

## Section 3.3 Notice 700/22

### **3.3 .2 Supplies made**

For each supply you make you must record the:

- time of supply (tax point)
- value of the supply (net value excluding VAT)
- rate of VAT charged

# Records that must be kept digitally

## Section 3.3 Notice 700/22

### **3.3 .3 Supplies received**

For each supply you receive you must record the:

- time of supply (tax point)
- value of the supply
- amount of input tax that you will claim

# Keeping Other Records

- Invoices must still be kept – in paper or electronic form
- By law must some records must be in their original form



# Making Adjustments

## Section 3.4

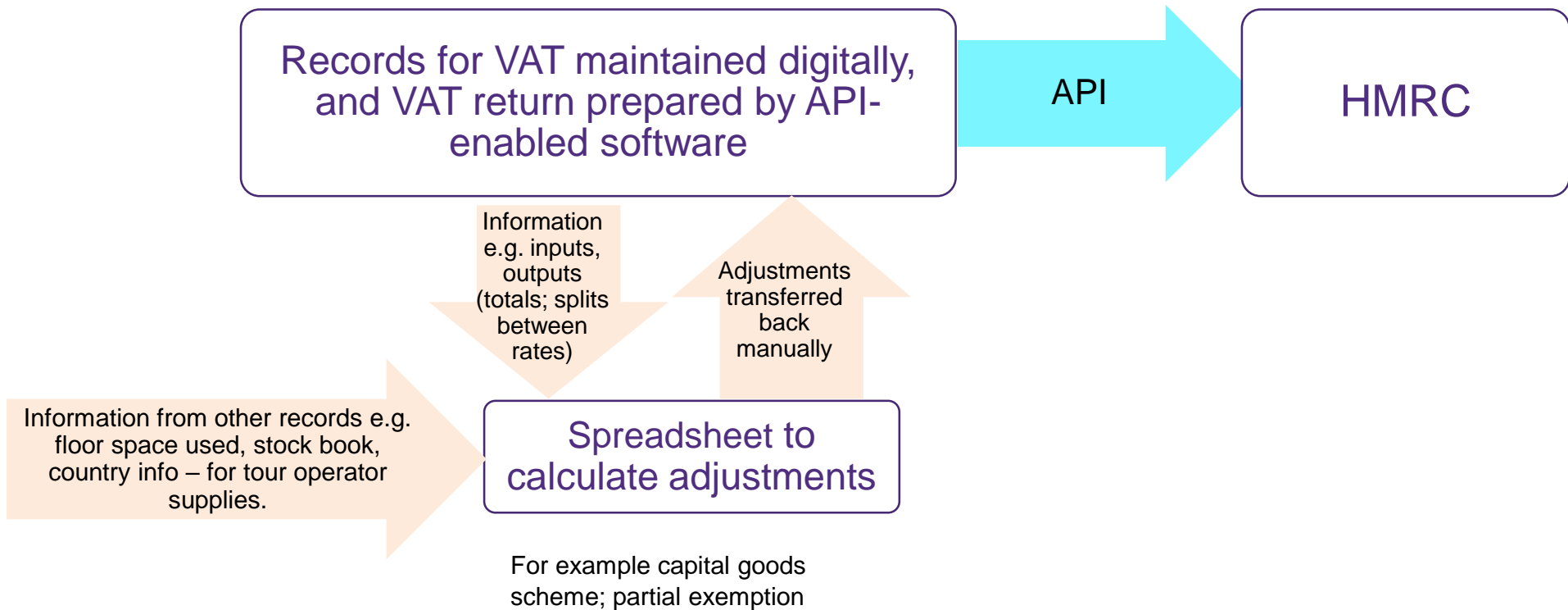
Notice 700/22

- Record the total for each type of adjustment
- Calculation does not have to be done in the MTD software
- Result of calculation can be entered manually into the MTD software.



# Example 7

## Adjustments, journeys and transfers outside of software



# Correcting errors

The screenshot displays the GOV.UK website interface. At the top left is the GOV.UK logo with a crown icon. To the right is a search bar with the text "Search" and a magnifying glass icon. Below the search bar is a breadcrumb trail: "Home > [VAT Notice 700/45: how to correct VAT errors and make adjustments or claims](#)". On the left side, there is a vertical menu with a crown icon and the text "HM Revenue & Customs". The main content area features a large blue banner with the text "Notice" in a smaller font, followed by the main title "VAT Notice 700/45: how to correct VAT errors and make adjustments or claims" in a large, bold white font. Below the title, it says "Updated 19 July 2017".

GOV.UK

Search

Home > [VAT Notice 700/45: how to correct VAT errors and make adjustments or claims](#)

HM Revenue & Customs

Notice

## VAT Notice 700/45: how to correct VAT errors and make adjustments or claims

Updated 19 July 2017

# Special Schemes

Sections

3.5 – 3.8

Notice 700/22

- Retail schemes
- Flat rate schemes
- Gold special account scheme
- Margin Schemes

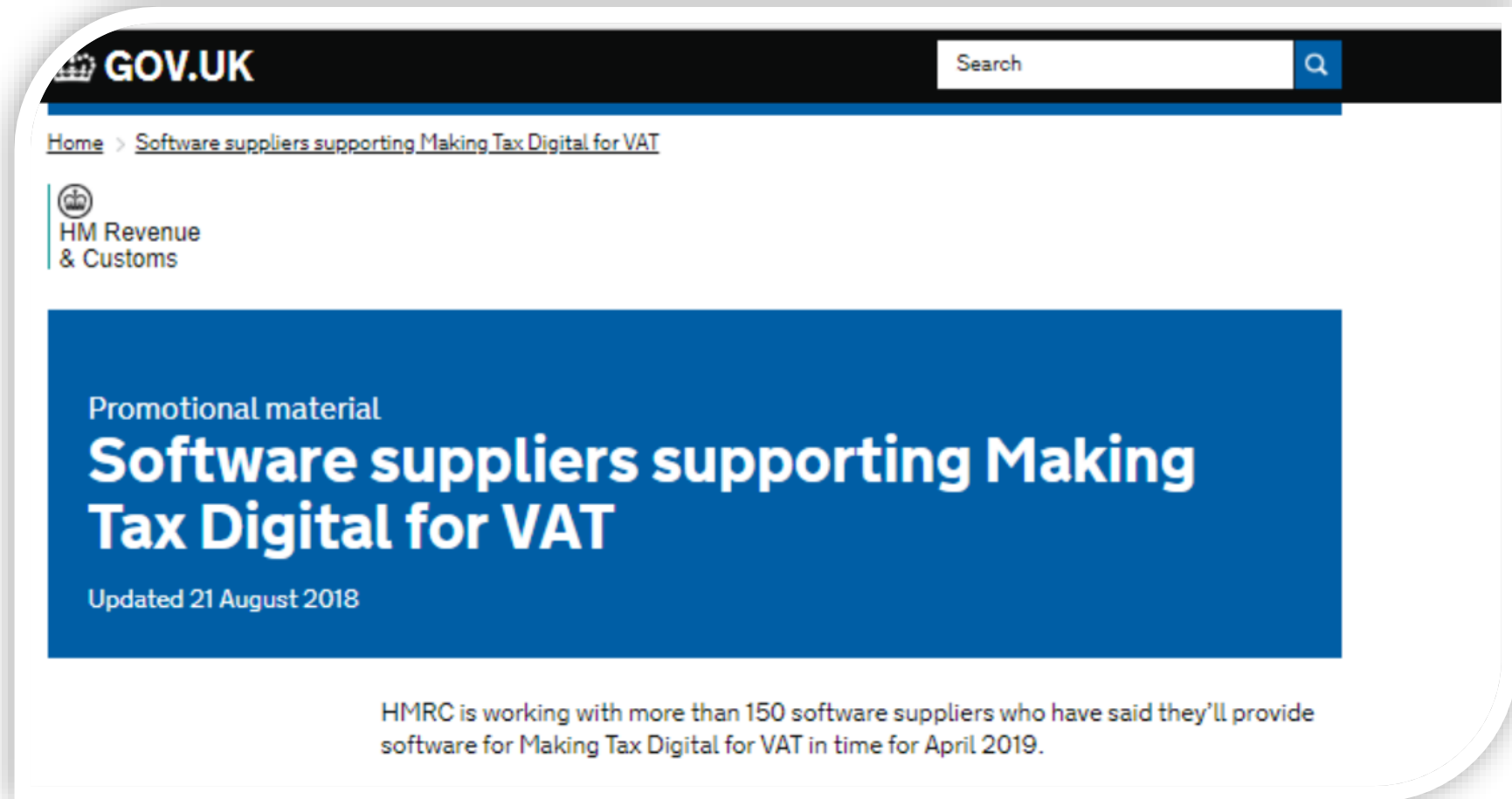
# Common queries

Where can I find out about software?

Speak to your existing provider or providers.

Have a look on [GOV.UK](https://www.gov.uk)

# Using software



The screenshot shows the GOV.UK website interface. At the top left is the GOV.UK logo. To the right is a search bar with the text "Search" and a magnifying glass icon. Below the search bar is a breadcrumb trail: "Home > [Software suppliers supporting Making Tax Digital for VAT](#)". On the left side, there is a vertical menu with the HM Revenue & Customs logo and the text "HM Revenue & Customs". The main content area features a large blue banner with the text "Promotional material" in a smaller font, followed by the main heading "Software suppliers supporting Making Tax Digital for VAT" in a large, bold, white font. Below the heading, it says "Updated 21 August 2018". At the bottom of the page, there is a paragraph of text: "HMRC is working with more than 150 software suppliers who have said they'll provide software for Making Tax Digital for VAT in time for April 2019."

# Joining the pilot



[makingtaxdigital.mailbox@hmrc.gsi.gov.uk](mailto:makingtaxdigital.mailbox@hmrc.gsi.gov.uk)

# Information for businesses



<https://twitter.com/HMRCgovuk>

# Information for businesses



<https://twitter.com/HMRCgovuk>

GOV.UK Search

Home > Making Tax Digital: how VAT businesses and other VAT entities can get ready

HM Revenue & Customs

Promotional material

## Making Tax Digital: how VAT businesses and other VAT entities can get ready

Published 17 September 2018

**Contents**

- Introduction
- When MTD for VAT will be mandatory for your business
- What happens if your taxable VAT turnover is below the VAT MTD threshold
- What your business needs to do to be ready to sign up for MTD
- Using spreadsheets for your business records
- Records that you need to keep digitally for MTD for VAT
- MTD-compatible software
- Bridging software
- Finding out what software is available for MTD
- Income Tax
- Additional Help

**Introduction**

If you run a VAT-registered business with a taxable turnover above the VAT registration threshold (currently £85,000) you are required to keep digital VAT business records and send returns using Making Tax Digital (MTD)-compatible software for VAT periods starting on or after 1 April 2019. Businesses with a taxable turnover below the VAT threshold can also sign up for MTD for VAT voluntarily. This also applies to other VAT entities, such as charities, government bodies and limited companies.

The MTD for VAT pilot started in April 2018 and is currently in a private stage, available only to invited volunteer VAT businesses and their agents. This is so we can work with software providers, testing our systems and their products on a small scale before opening MTD to a wider audience. At the moment we are limiting the number and types of business we invite into the pilot. We'll provide more guidance about how to sign up to MTD for VAT on GOV.UK later in the year, but you can [email us](#) if you are interested in becoming involved in the private VAT pilot earlier.

If you have an agent, you should speak to them to find out when it may be best for you to join the pilot.



# Thank you for listening

Customer Readiness External  
Stakeholder Team

[makingtaxdigital.mailbox@hmrc.gsi.gov.uk](mailto:makingtaxdigital.mailbox@hmrc.gsi.gov.uk)



# Your journey to getting ready for MTD

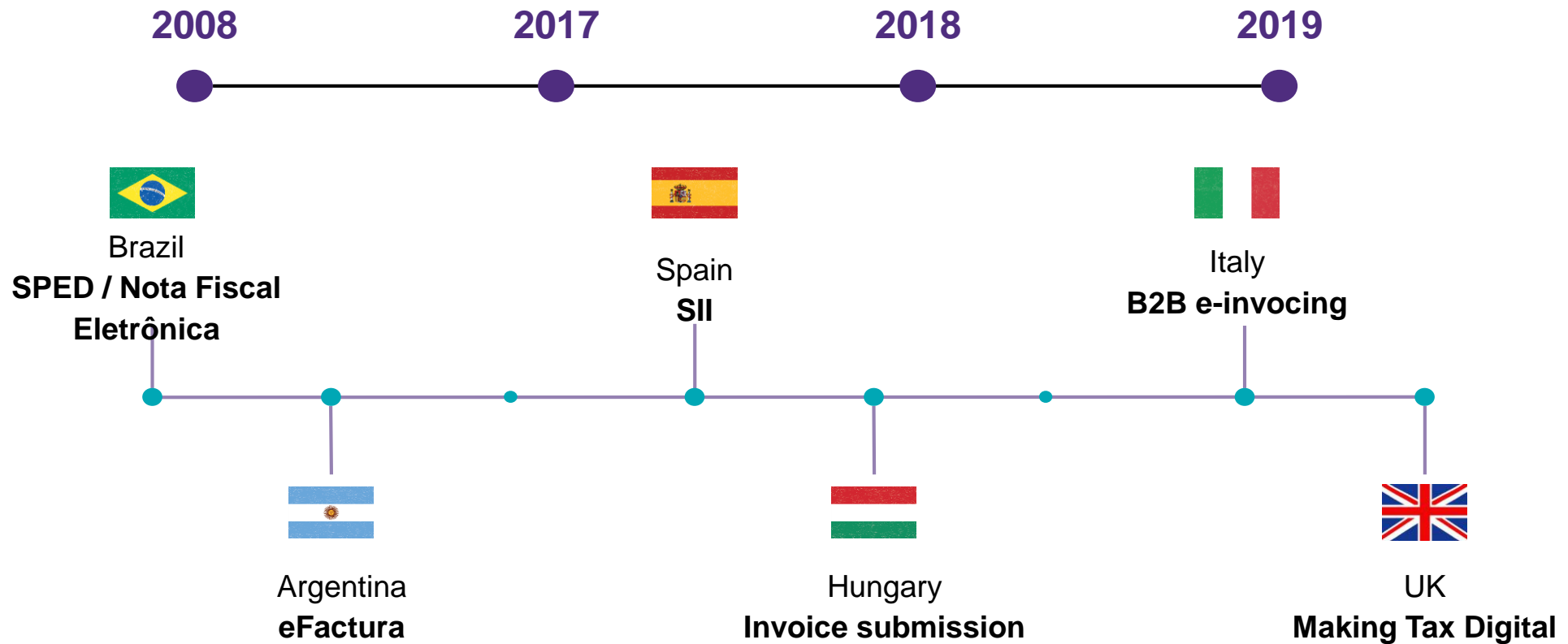
Alex Baulf

Olga Bondar

# Past, present and future of VAT compliance

- Paper invoicing
- “Post-Audit” regime – taxpayer free to issue invoices
- Audit after the fact
- Tax inspector/auditor physically look at invoices and records
- Risk approach + sampling
- Summary VAT return submitted
- VAT return preparation manual – often using excel
- Electronic invoicing
- Real time validation / authorisation
- tax, master and transactional data to tax authority in real time – the full data behind the summary return
- Audits carried out through data analytics and full data set
- VAT returns prepared automatically
- Digital not paper
- Matching customer’s input tax v vendor’s output tax

# Direction of travel

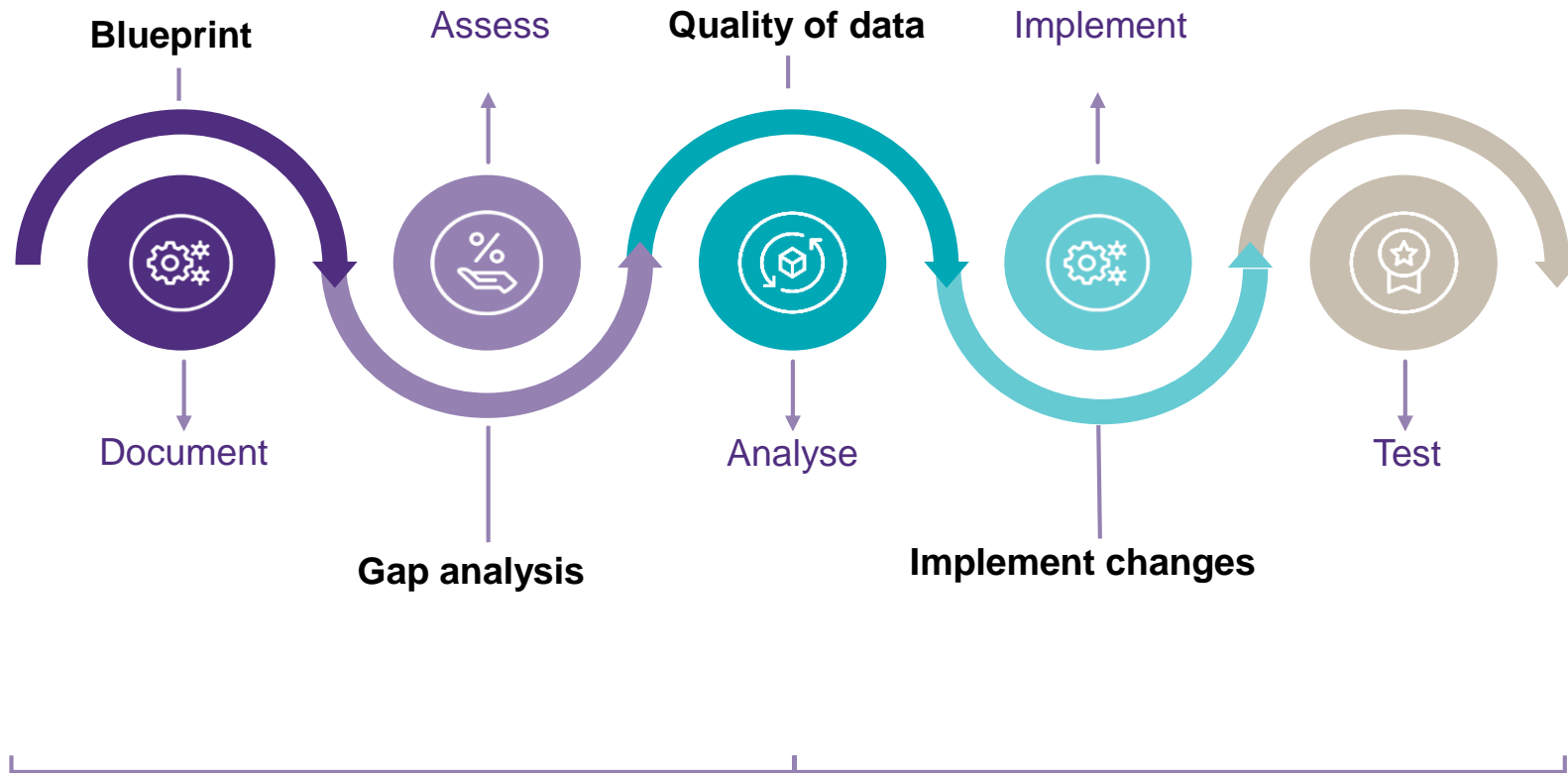


# What are your concerns?

- What are “digital links” exactly?
- How can spreadsheets be used and linked with the source data?
- What about “copy and paste”?
- Smaller businesses may struggle with digital technology
- How would penalties regime work, particularly with regard to late submission?
- How can a large corporate group comply with MTD requirements?



# MTD Journey



# Step 1 – Blueprinting

- Data collection from the relevant ERP/billing system to the final physical online submission of the VAT return
- Workshops focusing on what is currently done today (“as is”) and not on the potential “to be” future state under MTD.
- Blueprint “as is” process maps and understand
  - (a) IT architecture
  - (b) VAT compliance processes
  - (c) Manual processes including adjustments

# Blueprinting – VAT compliance process

- ✓ each distinct step
- ✓ processes with human intervention
- ✓ manual adjustments made and type
  - e.g. reverse charge
  - acquisition tax
  - currency conversion
  - import VAT
  - entertainment block etc.
- ✓ manipulation of data
- ✓ the level of granularity of VAT data currently held in the ERP
- ✓ any additional aggregation of data prior to submission
  - (e.g. consolidating entity level data prior to submission of VAT group return)



# Step 2 – Gap analysis

- From the blueprint of your systems and process, compare to MTD requirements
- Where are the gaps?
- Can you submit VAT return via API link through software?
- Do you have granular enough data / tax coding to prepare VAT account
- Which adjustments could I automate?



# Step 3 – Take a deep dive into VAT adjustments and data

- Not just what adjustments do you make but why?
- Do you use special accounting schemes, retail schemes, flat rate scheme?
- Are the adjustments correct and needed?
- Are you making errors? Why? Could these be prevented?
- Could adjustments be automated?



# Test the integrity of data

- MTD is a 'first step' towards real-time tax reporting and increasingly detailed HMRC audits.
- Is VAT related data accurate, current, and complete?
- When was the last time you reviewed your data?
- What VAT codes are you using? Are they granular enough?



# Step 4 - System changes

- What are your existing accounting software provider(s) doing in relation to MTD?
- What API capabilities do their systems currently have?
- What other software providers can you use to meet your needs?
- Year one v Year two? Roadmap for change
- Tax code changes
- Will there be disruptions to business? What are the additional costs?
- Understand future upgrades and implementations



# Make informed decision on the best option for your business

- Identify gaps
- Agree MTD implementation plan and priorities
- Agree which software solution would suit best
- Obtain necessary support and budget from senior leadership
- Is it best to outsource VAT return submissions?
- Can you automate VAT return preparation?



# Step 5 – Test your new system

- VAT returns will be compiled by pulling data from your digital records. What information will you submit to HMRC?
- Can your systems submit your VAT return directly from your accounting system?
- To what extent will you need to rely on API-enabled spreadsheets or bridging software?
- Do you need to train your people to use new processes and systems?



**Note: Penalties for late filing and payment of VAT**

# Immediate actions by 1 April 2019

- ✓ Systems reviewed
- ✓ VAT adjustments reviewed
- ✓ Changes implemented
- ✓ VAT returns submitted via API



# Step 6 - Put digital links in place by 1 April 2020

- Identify data sources
- Identify all systems used and reports produced
- Digitally link the data
- If you use Excel spreadsheets to prepare VAT return workings, consider how the data can be automatically imported into Excel





# Our suggested timeline

**Autumn 2018** – Blueprint and carry out gap analysis

**Autumn 2018** – Review your systems and VAT adjustments

**Autumn 2018** - Consider the quality of your data

**Autumn 2018** - Consider what changes you need to put in place

**November/December** – Make informed decision on the required solution(s)

**November/December** – Implement changes

**Winter 2018/2019** – Test your systems

**Spring 2019** – MTD for VAT LIVE

**Spring 2019 onwards** – put digital links in place for 2020



# Inmarsat tour – prize draw results

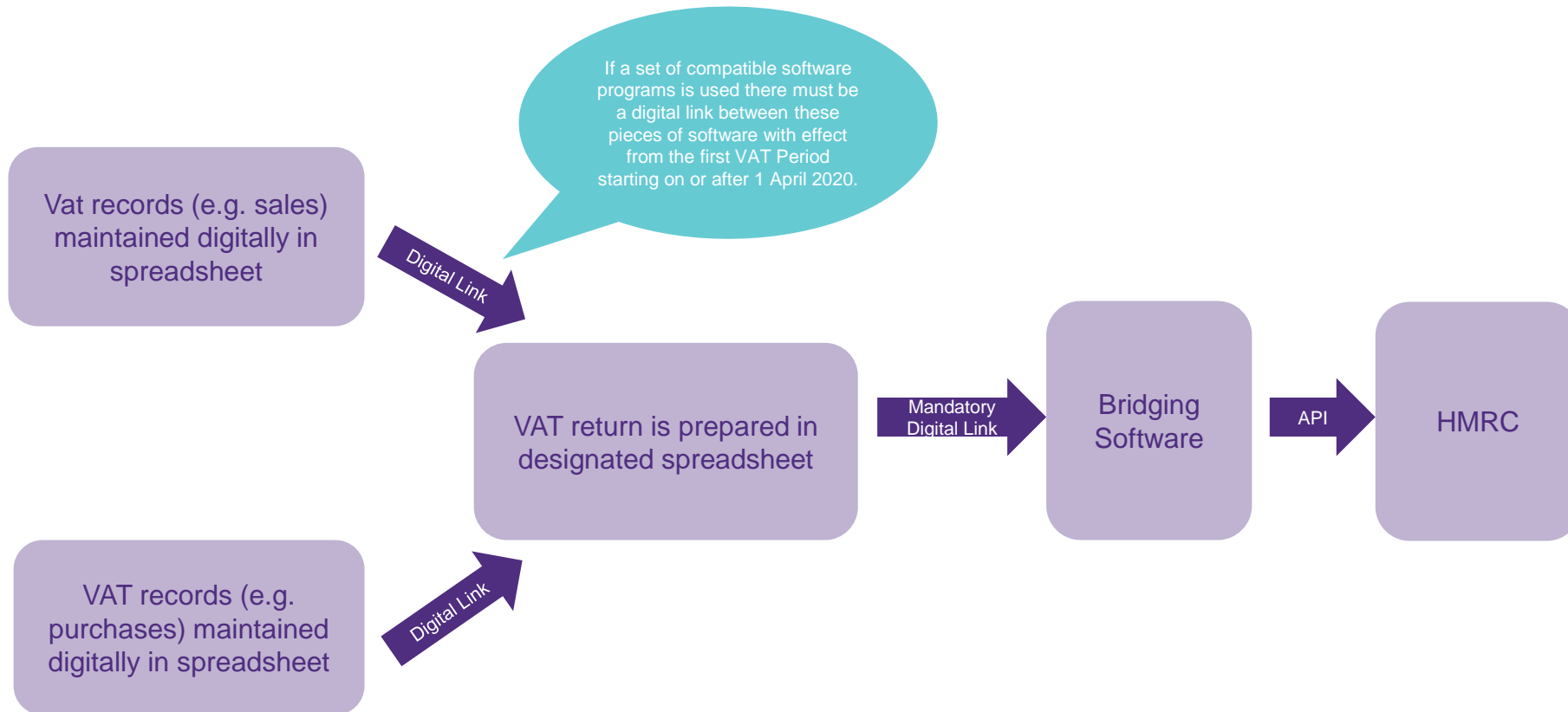


# Scenarios

Heather Elliott  
HMRC

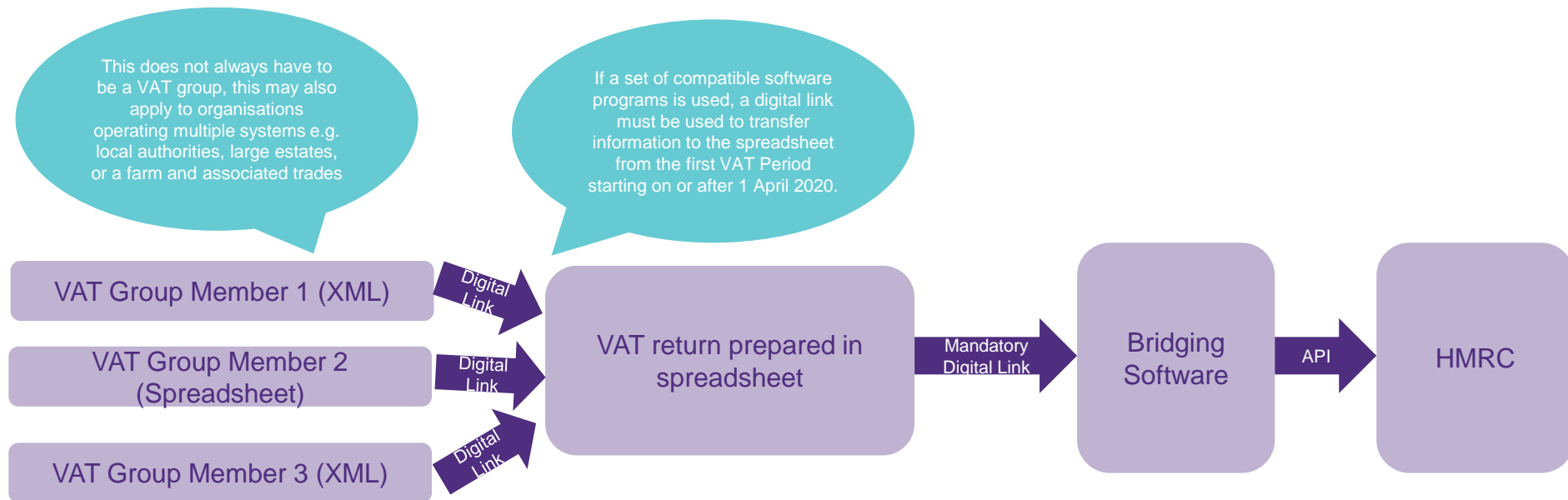
# Scenario Diagram

## Using multiple spreadsheets and bridging software



# Scenario Diagram

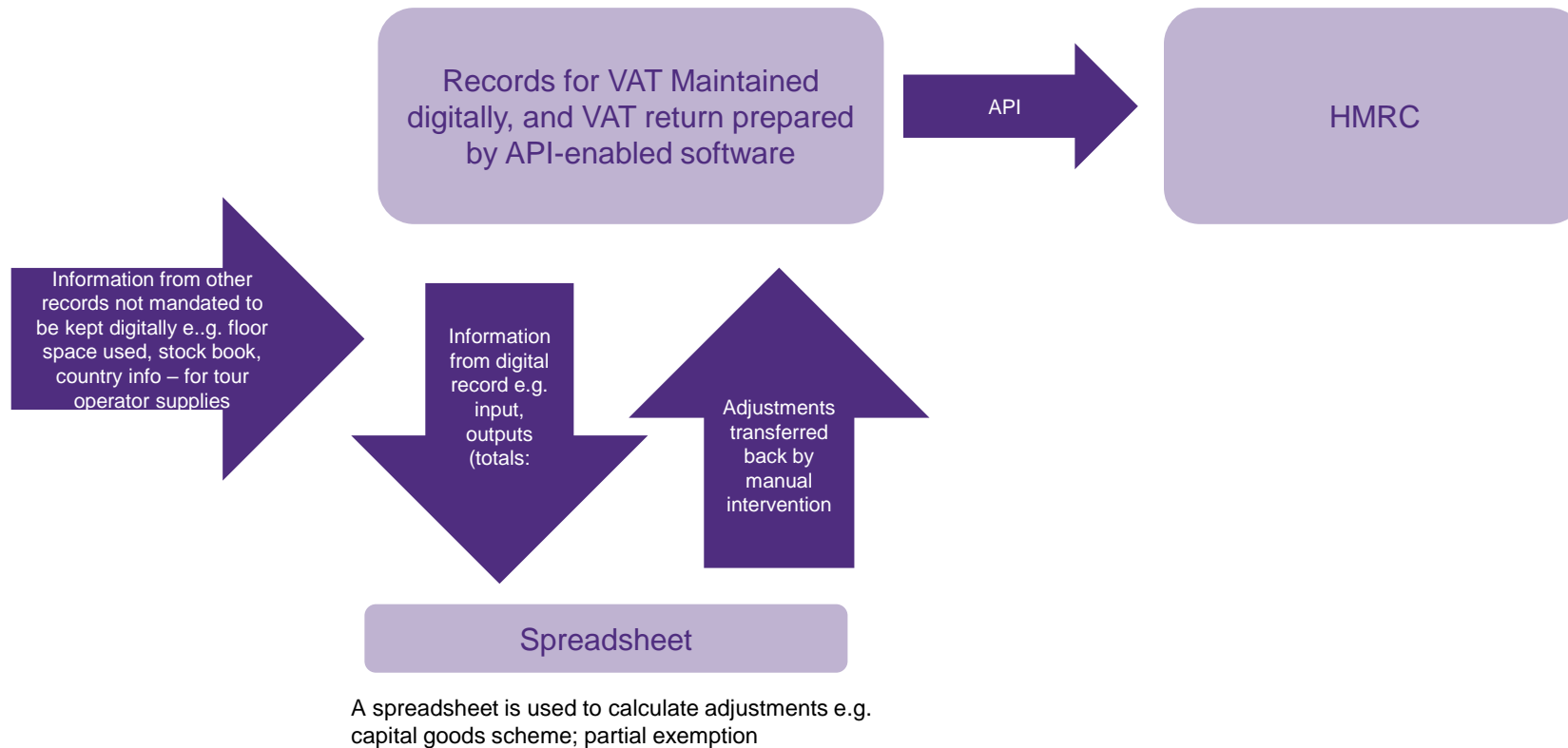
## VAT Groups or different parts of the same business



The mandatory digital record keeping requirements will apply to each member of the VAT Group. However, while HMRC expects that each group member will operate digital links within their individual functional software, it does not expect the software systems of each group member to be linked to other members' systems.

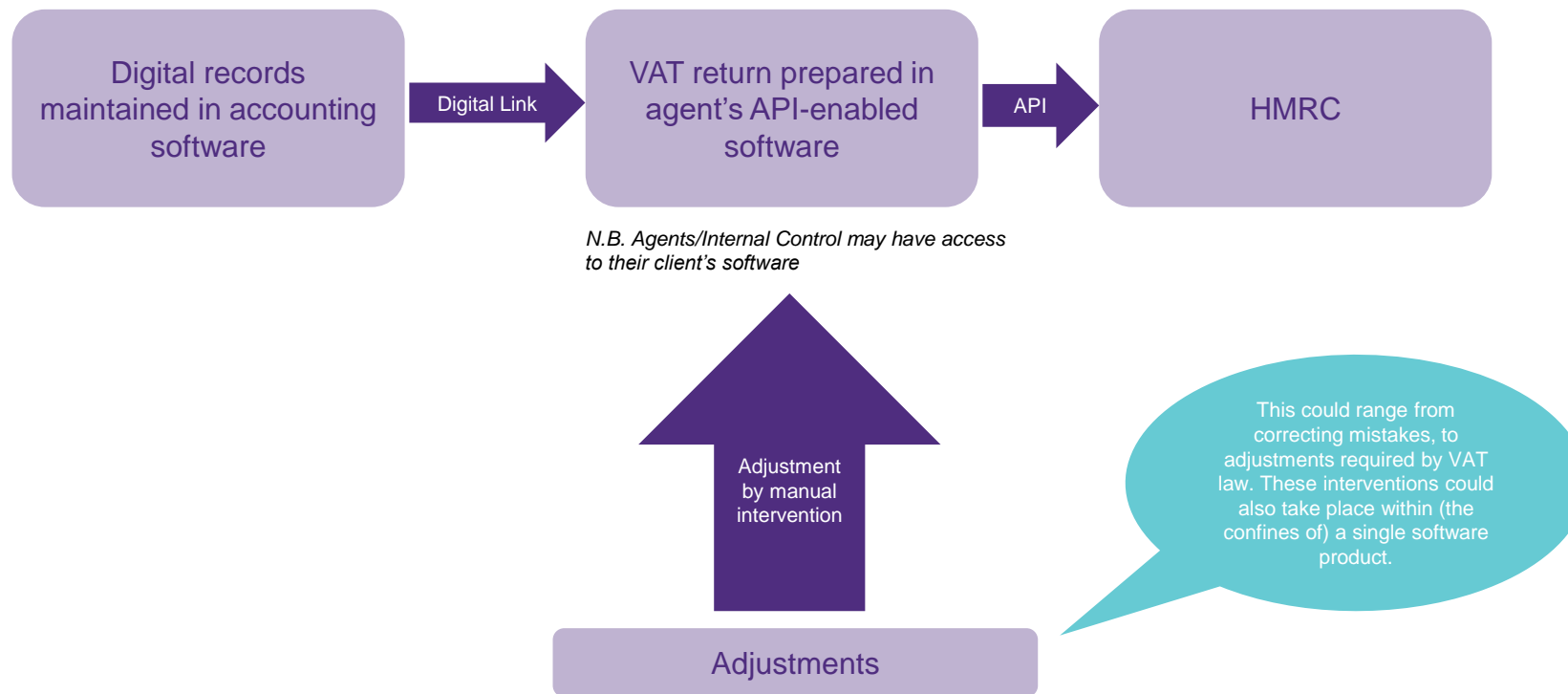
# Scenario Diagram

## Adjustments, journeys and transfers outside of software



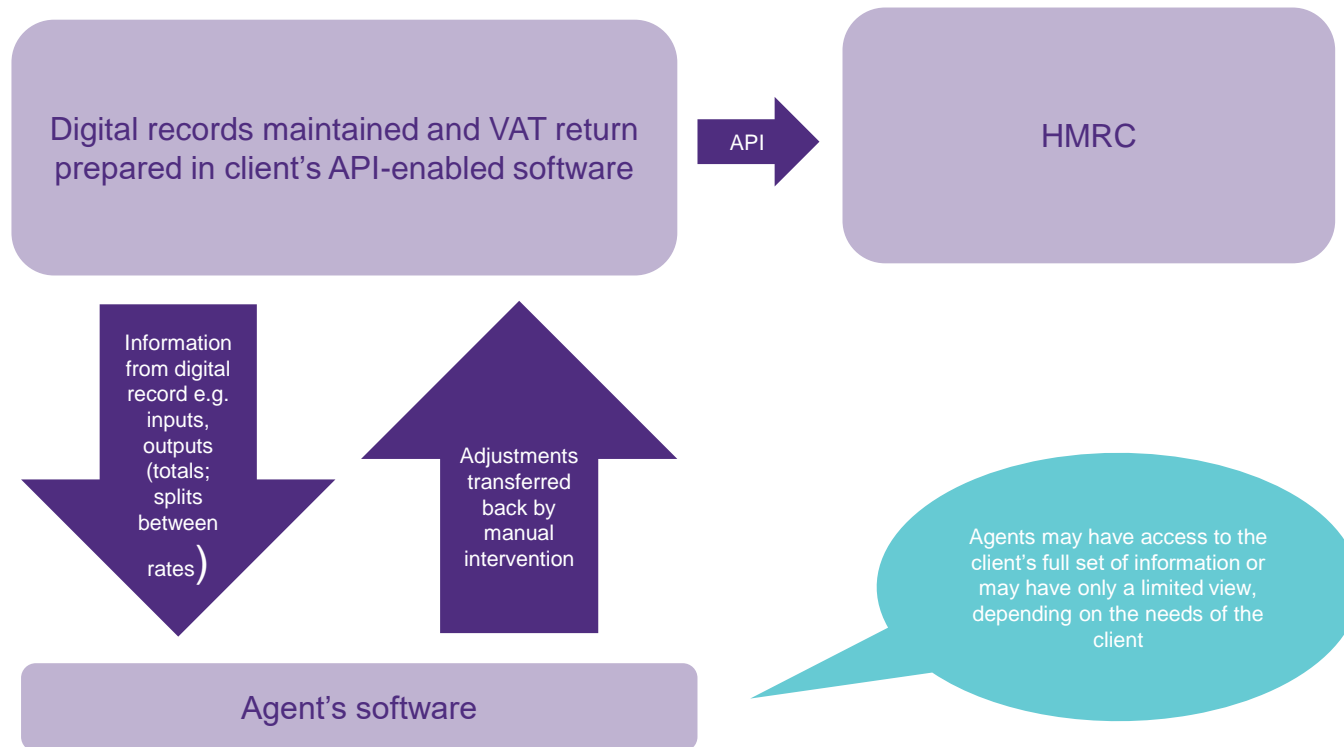
# Scenario Diagram

Digital transfers and adjustments within an agent journey using agent's API-enabled software



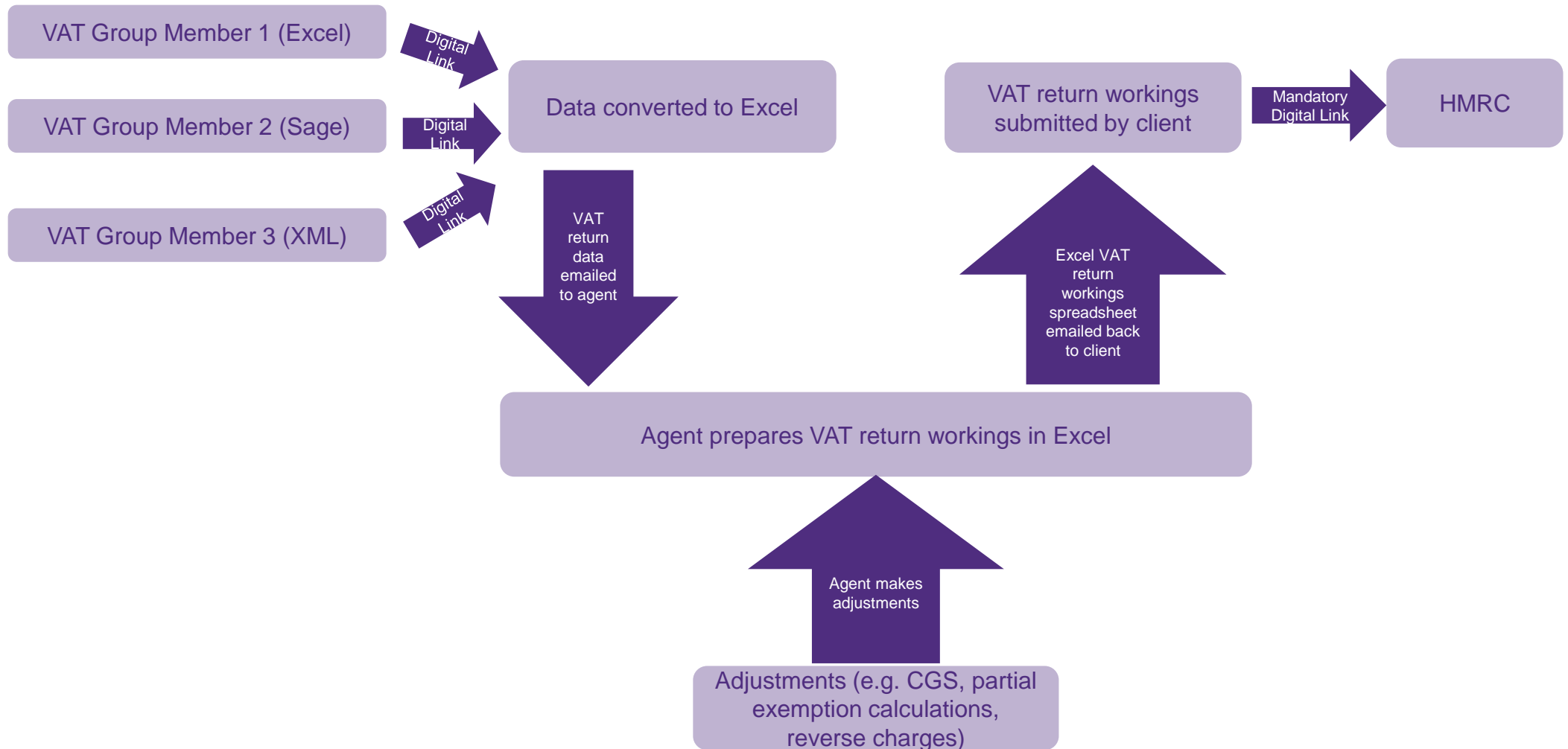
# Scenario Diagram

Digital transfers and adjustments within an agent journey using client's API-enabled software





# Typical client scenario



# Tax Technology and MTD

Andrew Burman

# Grant Thornton's Tax Technology Team

## Three pillars to what we do

### Build

Bespoke solutions

Risk management  
dashboards

Data analytics dashboards

Custom controls



### Implement

GT proprietary products

Standards processes and  
controls

Software robots

Improvements to the client  
systems

Third party software



### Advise

Tax technology strategy

ERP system configuration

Tax data strategy

Tax systems selection

Tax process improvement



# Our clients told us they want.....



Year 1

Simplicity and compliance

- ✓ Easy to install and use.
- ✓ Causes least disruption.
- ✓ Scalable.
- ✓ Can keep using Excel.
- ✓ Only share data with HMRC.



Year 2

Flexibility and Value

- £ Ensures complete data trail and digital linkage.
- £ Enhances data transparency to identify issues.
- £ Supports end to end VAT process improvement.
- £ Provides flexibility to deal with further requirements.

# *... so we built the Grant Thornton MTD VAT API*

*Simple to maintain*

*Flexible*

*Secure*

*Easy to use*

*Private*

*Scalable*

*Supports continuous process improvement*

*Difficult to say 😊*

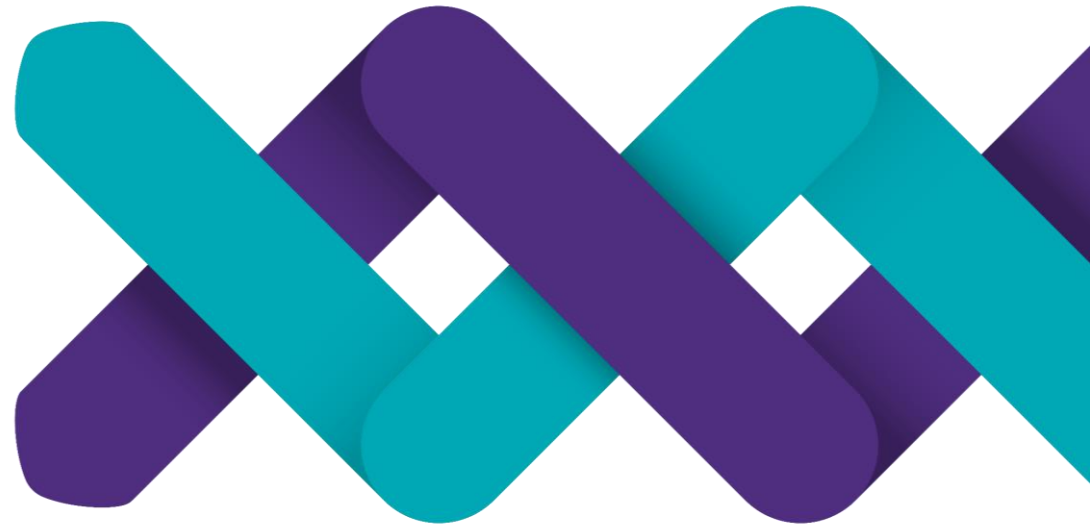
# *Grant Thornton MTD VAT API*

## Just four clicks to submission.....



# Demo

## Grant Thornton MTD VAT API




# Other ways we could help after MTDfVAT go live – case studies

- ✓ *Improve source data quality in ERP(s) etc.*
- ✓ *Build macros in Excel to further enhance digital links.*
- ✓ *Deploy software robots to integrate systems and process.*
- ✓ *Implement analytics to identify anomalies and trends.*
- ✓ *Develop a tax technology strategy.*




# Grant Thornton MTD VAT API

- ✓ *Easy to install.*
- ✓ *Quick to use.*
- ✓ *Simple to maintain.*
- ✓ *Flexibility for the future.*
- ✓ *Secure.*
- ✓ *... and only HMRC sees your data.*



Grant Thornton  
An instinct for growth™

Grant Thornton MTD VAT API



Company	Company JQXUDT
User Name	Tristen Russel
VAT Number	666879727

Congratulations- Your VAT Data has been submitted to HMRC

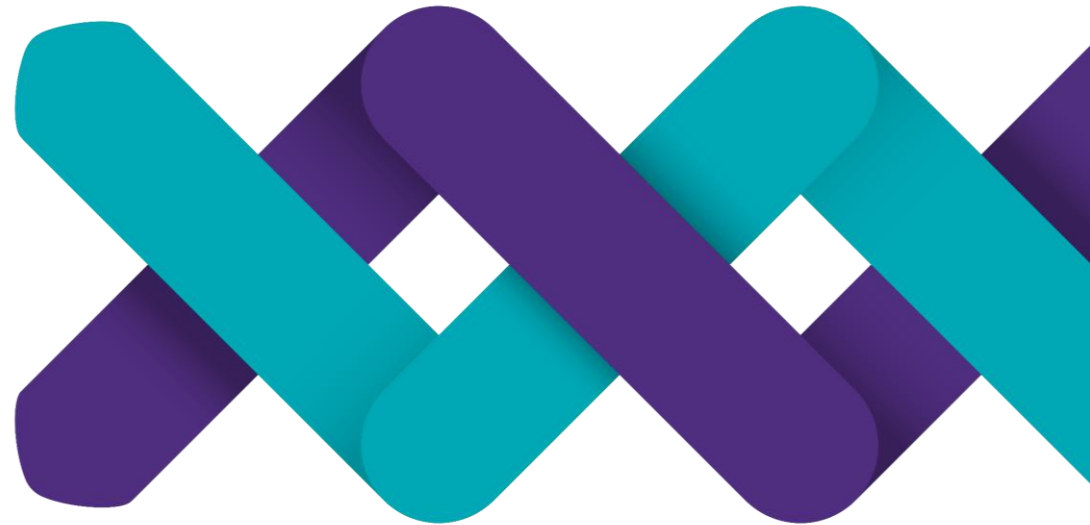
Processing Date	19/09/2018 15:46:34
Payment Indicator	BANK
Form Bundle Number	734831093146
Charge Ref Number	
X-CorrelationId	5ba26f5a2600003d00bb700a
Receipt-ID	a4751c5e-b58d-4c2e-a5ea-1cfc8b205320
Receipt-Timestamp	19/09/2018 16:46:34

# Tax Technology & MTD

## Thank you!

**Andrew Burman**  
Lead Partner

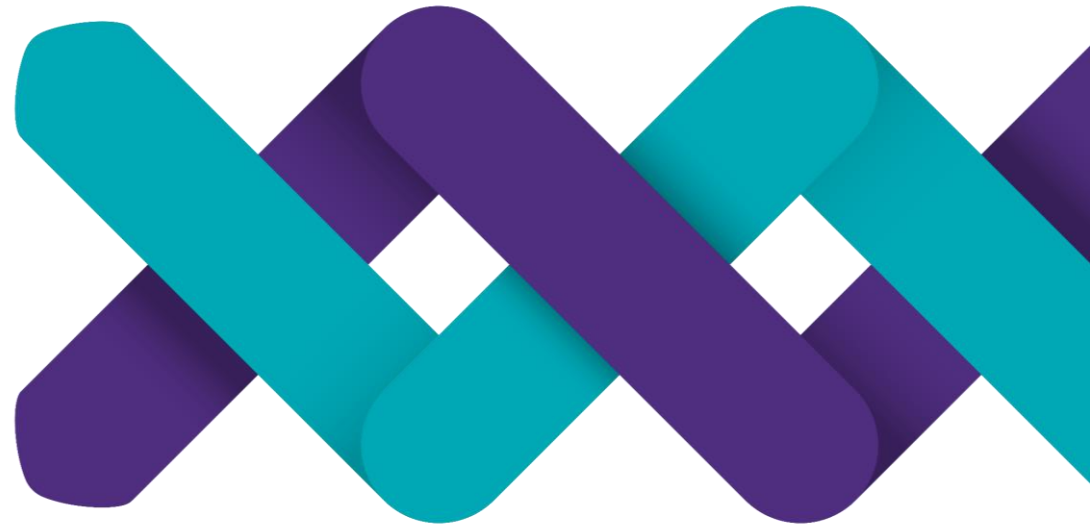
**Phill Peachman**  
Associate Director



# Panel Discussion

# Making Tax Digital for VAT

**Thank you!**



# Contact details

## VAT Technical Team



email [vinny.mccullagh@uk.gt.com](mailto:vinny.mccullagh@uk.gt.com)

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Senior Manager



email [alex.baulf@uk.gt.com](mailto:alex.baulf@uk.gt.com)

Associate Director

## Tax Technology Team



email [andrew.m.burman@uk.gt.com](mailto:andrew.m.burman@uk.gt.com)

Partner



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Associate Director



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