Making Tax Digital for Business VAT Guide for Vendors

Version 1.0 December 2017

HM Revenue & Customs

MTDfB VAT Guide for Vendors - Overview

1. About this Guide

2. The Overarching Vision

3. High Level Design

4. The Customer Journey

5. Miscellaneous

6. Quick Start Guide & Test Scenarios

7. Terminology

HM Revenue & Customs

NB - API Code is also held within the Guide to vendors who have been whitelisted

About this Guide

About this Guide

This guide is designed to help software developers/designers understand how your software will interact with HMRC systems and what it will need to do. Product owners and business analysts can also use the guide to further their understanding of Making Tax Digital for Business (MTDfB).

For ease, the Guide is split into a number of different sections, these are;

- The Overarching Vision
- High Level Design
- The Customer Journey
- Miscellaneous
- Quick Start Guide
- Terminology

HM Revenue & Customs

The Overarching Vision

The Overarching Vision

Vision

Making Tax Digital is a key part of the government's plans to make it easier for businesses to get their tax right and keep on top of their affairs.

Every business now has access to their own digital tax account and these are being regularly expanded and improved. HMRC's ambition is to become one of the most digitally advanced tax administrations in the world, modernising the tax system to make it more effective, more efficient and easier for customers to comply.

Keeping records digitally and providing updates to HMRC direct from the software will reduce the amount of avoidable errors businesses currently make (and the cost, uncertainty and worry they face when HMRC is forced to intervene to put things right). This streamlined digital experience will integrate tax into day-to-day business record-keeping in a way that gives businesses confidence that they have got it right and provides them with a view of their tax position in-year.

Foundations
1) Better use of information - customers should not have to give HMRC information that it already has, or that it is able to get from elsewhere (for instance from employers, banks, building societies and other government departments). Digital tax accounts for all, and open APIs, will mean that customers can see the information that HMRC holds and be able to check at any time that their details are complete and correct using their chosen software. HMRC will use this information to tailor the service it provides, according to each of our customers' individual circumstances.

HM Revenue & Customs

The Overarching Vision

2) Tax in real time - Our customers should not have to wait until the end of the year or longer to know how much income tax they may have to pay. HMRC will collect and process information affecting tax as close to real time as possible, to help prevent errors and stop tax due or repayments owed building up.

3) A single financial account - At the moment most taxpayers cannot see a single picture of their liabilities and entitlements in one place – we are changing that. By 2020, customers will be able to see a comprehensive financial picture in their digital account, just like they can with online banking.

4) Interacting digitally with customers - Our customers (and their agents) will be able to interact with HMRC digitally and at a time to suit them. They already have access to a digital account which will present them with an increasingly personalised picture of their tax affairs, along with prompts, advice and support through webchat and secure messaging. And digital record keeping software will be linked directly to HMRC systems, allowing customers to send and receive information directly from their software, with nudges and prompts built in to help them get it right.

Timetable
MTDfB for VAT will be mandatory for businesses whose turnover is above the VAT registration threshold (currently £85,000) from April 2019. It will remain voluntary for VAT registered businesses below the VAT threshold until 2020 at the earliest.

HM Revenue & Customs

High Level Design

98% of VAT returns are submitted digitally (either directly by the business or by their agent), but although many businesses use digital accounting products, some of which are enabled to send VAT returns direct from the software, the vast majority currently submit their VAT return using HMRC's online portal.

MTDfB will enable businesses to use record keeping software to record transactions. Businesses can update their software whenever they like, with digital record keeping normally done in close to real time, when or soon after business transactions occur. This expectation will be underpinned by a requirement for subscribed businesses to send a summary update (a VAT return) that will be generated and sent using software or an app. Most businesses will do this on a quarterly basis but some businesses currently file VAT returns on a monthly or annual basis and this will continue under MTD.

The new requirement to keep digital records will not include an obligation to make and store images of invoices and receipts digitally. The digital record would need to include the details of the amount, date and categorisation for each transaction. Please see some example customer software journeys
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/668753/Addendum_to_VAT_Notice_on_Making_Tax_Digital_for_VAT.pdf

Software packages will use the VAT (MTD) API to supply the VAT Return data to HMRC. HMRC doesn't plan to produce its own digital tools and will not endorse any such products produced by anyone else. But we will work closely with and support you to design and develop digital tools that will enable HMRC's customers to comply quickly, easily and securely with their obligations to account for tax digitally. Supporting this key functionality are a range of additional service elements, including Registration, Subscription, Authorisation and Payments. Further details on how these all align can be found in The Customer Journey section.

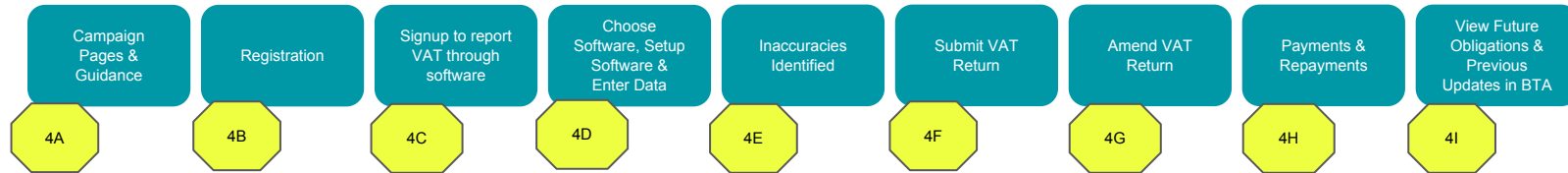HM Revenue & Customs

The Customer Journey

VAT Business User Journey

Campaign Pages & Guidance	Registration	Signup to report VAT through software	Choose Software, Setup Software & Enter Data	Inaccuracies Identified	Submit VAT Return	Amend VAT Return	Payments & Repayments	View Future Obligations & Previous Updates in BTA
4A	4B	4C	4D	4E	4F	4G	4H	4I

HM Revenue & Customs

Please Note: Future iterations of this Guide may contain additional elements of the service as relevant

Campaign Pages & Guidance

4A

We continue to use GOV.UK - the website for the UK Government - as our primary way to provide users with guidance on government services and information. Initially, the guidance will:

- Signpost to a few more detailed, task-based content on GOV.UK (initially: overview of MTDfB, choose software, sign up, etc).
- Help build awareness about what MTDfB means for users and agents
- Signpost to route for customer support (See Customer Support Model section for further details), including how vendors can get in touch with HMRC teams
- Manage users' concerns if not eligible yet, or there's no legal requirement for them yet.
- Help us (HMRC) manage the messages users need to know about over coming months and years - who is eligible, why signing up early might help you, when this will become mandatory etc.

As we make more functionality live, we'll add more task-based guidance onto GOV.UK to ensure that users can continue their journey. For example, 'Sign up to report VAT through software' 'Choose software' etc.

As MTDfB becomes more mainstream, we'll look to reduce campaign content / presence.

We would like your package to make users aware of the links to the guidance detailed above if they are interested in the service.

HM Revenue & Customs

Registration

4B

Towards the end of 18/19 we will deliver a registration service that will allow businesses to register for taxes and sign up to the MTDfB Service; using software and providing quarterly updates from the start of their business lifecycle. This will not be mandatory for all customers, and if not chosen the existing VAT service will remain.

The service will request information about the business and the person running it. Following successful registration the customer will be informed of their Return deadlines.

HM Revenue & Customs

Sign up to report VAT through software

4C

In April 2018 we will deliver a sign up service enabling existing VAT users to move into the Making Tax Digital service. Any user wanting to use the MTD service for VAT will have to sign up before first use, even if they have already signed up for income tax.

Agents will be able to sign up an existing client's business.

We will develop supporting content that allows a customer to identify whether they need to register for tax and then sign up for MTDfB or just sign up only.

Following successful sign up the customer will then be informed of their update obligations.

The sign up service requests minimal information from the taxpayer e.g. e-mail address, reusing information provided as part of identity checking.

HMRC will ultimately provide registration and sign up as online services through Gov.uk, enabling software developers to provide links to the service in software.

HM Revenue & Customs

Choose Software, Setup Software & Enter Data

4D

HMRC provides information to highlight known software so that businesses and agents can choose the right software for them.

There will be a list of known software that are MTDfB-compatible published on GOV.UK. See an example of this format. HMRC is considering the design of this, working with the software industry.

A business or agent will need to complete authentication with HMRC within their chosen software to obtain their obligation dates from HMRC via an API call.

They will be able to enter transactional level information into their recordkeeping software for anything relating to business transactions as a minimum.

HMRC only require that each package made available to customers complies with the Terms of Collaboration which are accepted before production credentials are issued.

HM Revenue & Customs

Inaccuracies Identified

4E

We are currently developing Business Validation Rules for VAT and more detail will follow once we have agreed our approach/timeline for their delivery.

HM Revenue & Customs

Submit VAT Return

4F

Once a customer has connected their software to HMRC, you can retrieve the customer's obligations for the year using the 'retrieve VAT Obligations' endpoint. This provides you with the customer's obligations for the year. This endpoint also provides a Period Key for each obligation - this **must** be sent with the relevant return.

To send a VAT Return, software will need to provide the relevant information needed to complete the VAT Return using the customer's digital records.

The Period Key provided with the obligations must be sent with the relevant return. HMRC also requires software to ask the customer to sign a declaration before submitting the return (this endpoint will be available in December)

Please note there is no calculation for VAT.

The process

- Retrieve the user's obligations by calling the **Retrieve VAT Obligations** endpoint
- Complete the data for the obligation period
- Submit the return to meet the obligation through the **Submit VAT Return for Period** endpoint using the Period Key

There will also be the ability to view previously submitted returns (post MTD returns) through software.

HM Revenue & Customs

Amend VAT
Return

4G

The current amend process will stay in place for VAT

● To amend a VAT return where the net value of the errors is **below** £10,000, the user will do this in the next VAT return

● To amend a VAT return where the net value of the errors is **over** £10,000, the user will need to complete the VAT 652 form available on the GOV.UK website

HM Revenue
& Customs

Payments & Repayments

4H

HMRC would like vendors to present messages to Business users at key points in their journey that give them the option to make payments ahead of any obligation date to help spread the cost. Likewise we will help deliver functionality that allows vendors to make users aware of payment dates.

There are multiple ways to make a payment for the VAT regime, so we have listed them all on GOV.UK at https://www.gov.uk/pay-vat and advise vendors in their messaging to ask customers to visit that link so the customer can make a payment in the method that best suits them.

With the arrival of MTDfB-VAT the contents of this GOV.UK page are subject to change. Likewise the URL may change in which case we will update the link above.

In order for a Business to see what previous payments they have made to HMRC, we would like vendors to present messages at key points in their journey that encourage them to visit their Business Tax Account.

The login page is https://www.tax.service.gov.uk/gg/sign-in?continue=/business-account and we advise vendors in their messaging to ask customers to visit that link.

HM Revenue & Customs

View Future Obligations & Previous Updates in BTA

4I

HMRC believe that some Businesses may want some assurance and wish to view information in to help them manage their tax affairs. They may also want a view of their previous updates and confirm these have been received via HMRC.

We would therefore encourage vendors to make available within their software products the ability for a user to view key information and these previously submitted updates.

Vendors can also direct users to visit their Business Tax Account to see this information. The login page is https://www.tax.service.gov.uk/gg/sign-in?continue=/business-account.

From April 2018, if a user has volunteered and signed up for Making Tax Digital, upon making a submission using third party software (by them or their Agent), a user can then log into their Business Tax Account and view information such as; viewing their return, payment obligations and change of circumstances. A user can see the link to make online payments and make a card payment and amend an existing direct debit.

HM Revenue & Customs

VAT Agent User Journey

Campaign Pages & Guidance	Creating an agent services account Including linking VAT clients	Authorisation service (adding and removing clients)	Agent Registers Client	Signup a Client to report VAT through software	Choose Software, Setup Software & Enter Data	Inaccuracies Identified	Submit VAT Return on behalf of Client	Amend VAT Return on behalf of Client
4K	4L	4M	4N	4O	4P	4Q	4R	4S

HM Revenue & Customs

Please Note: Future iterations of this Guide may contain additional elements of the service as relevant

Campaign Pages & Guidance

4K

We continue to use GOV.UK - the website for the UK Government - as our primary way to provide users with guidance on government services and information. Initially, the guidance will:

- Signpost to a few more detailed, task-based content on GOV.UK (initially: overview of MTDfB, choose software, sign up, etc).
- Help build awareness about what MTDfB means for users and agents
- Signpost to route for customer support, including to get in touch with HMRC teams
- Manage agent concerns if not eligible yet, or there's no legal requirement for them yet.
- Help us (HMRC) manage the messages users need to know about over coming months and years - who is eligible, why signing up early might help you, when this will become mandatory etc.

As we make more MTDfB functionality live, we'll add more task-based guidance onto GOV.UK to ensure that users can continue their journey. For example, 'Sign up to report VAT through software' 'Choose software' etc.

As MTDfB becomes more mainstream, we'll look to reduce campaign content / presence.

We would like your package to make users aware of the links to the guidance detailed above if they are interested in the service.

HM Revenue & Customs

An agent firm will need to create a single agent services account and connect it to their accounting software. The creation of the account is a one off process that an agent firm will need to complete to enable the firm and its staff to access Making Tax Digital through this one account and act for their clients.

The user journey will be a web screen journey that will be accessible from commercial software or from GOV.UK. The user will be asked to:

- Create a new Government Gateway (GGW) Agent Services Account which will be the firm's new GGW user Agent ID and password. This will become an agent firm's user ID and password that will be used to access all new HMRC services via accounting software
- Providing some designatory data about the agent firm, which will held by HMRC
- Receiving an Agent Service Account Number which is the number that all existing and new clients will be assigned

Once an agent firm has created an agent service account, they will then link their existing VAT clients to the account, so they can view clients' data and submit updates to HMRC, once a client has been subscribed to MTDfB.

The user journey link their existing VAT clients to the Agent Services Account will again be via web screens. The user will be asked to:

- Sign in with any GGW login details that are currently used to access HMRC online services, to note, if a firm currently has ten GGW login details they will need to complete the activity ten times
- Input their firm's key identifiers (to be confirmed) and the Agent Service Account number and submit. This will then link existing VAT clients linked to a particular GGW credential to the new Agent Services Account

We would like your package to make users aware of the links to the service above in time.

HM Revenue & Customs

Authorisation
service
(Adding and
removing
clients)

4M

Once a firm has created a new Agent Services Account, to represent a new client for making tax digital an agent will need to use the authorisation service. This works by allowing an agent to send a digital request to their client. The client will then have the opportunity to accept or reject the request digitally.

To add a client:

- The agent would need to select the URL for adding a client
- The agent will then need to input known facts about the client they wish to add
- The agent can then send a direct request to the client
- The client would then access a digital service, where they would see the pending request. The client would accept or reject the request
- The agent will be updated with the client's response. If the client has accepted HMRC will disclose the client's MTDfB data to the agency.

We are also looking to deliver functionality to enable the deletion of a client (or the client delete an agency):

- The agent would need to select the URL to delete a client from their client list. This would send an update to HMRC who would stop disclosing information to that agency
- The client would have a similar function

HM Revenue
& Customs

Agent Registers Client

4N

Once an agent has registered for Agent Services they will be able to register clients for taxes and sign them up to the MTDfB Service, allowing them to join from the start of their business lifecycle. This will not be mandatory for all customers, only those with annual turnover above the VAT threshold (currently £85,000) and from April 2019. If not chosen the existing VAT service will remain for those who are not mandated.

The service will request information about the business and the person running it. Following successful registration the customer will be informed of their update deadlines.

HM Revenue & Customs

Sign up a client
to report VAT
through software

4O

HMRC UI

In April 2018 we will deliver a sign up service enabling agents who have created an Agent Services Account and mapped their existing relationships with clients to sign them up to the Making Tax Digital service. Any user wanting to use the MTD service will have to sign up before first use.
Agents will be able to sign up a client's existing business.

We will develop supporting content that allows a customer to identify whether they need to register for tax and then sign up for MTDfB or just sign up only.

Following successful sign up the customer will then be informed of their update obligations.

The sign up service requests minimal information from the taxpayer e.g. e-mail address, reusing information provided as part of identity checking.

HMRC is providing registration and sign up as online services through Gov.uk, enabling software developers to provide links to the service in software.

HM Revenue
& Customs

HMRC provides information to highlight known software so that businesses and agents can choose the right software for them.

There will be a list of known software that are MTDfB-compatible published on GOV.UK. See an example of this format. HMRC is considering the design of this, working with the software industry.

A business or agent will need to complete authentication with HMRC within their chosen software to obtain their obligation dates from HMRC via an API call.

They will be able to enter transactional level information into their recordkeeping software for anything relating to business transactions as a minimum.

HMRC only require that each package made available to customers complies with the Terms of Collaboration which are accepted before production credentials are issued.
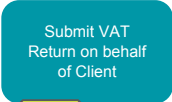
HM Revenue & Customs

Inaccuracies Identified

4Q

We are currently developing Business Validation Rules for VAT and more detail will follow once we have agreed our approach/timeline for their delivery.

HM Revenue & Customs

Submit VAT Return on behalf of Client

4R

When an agent uses software to submit information on behalf of their clients, software will follow the same process as outlined in 4F.

When the update is received, HMRC will check if the submission is coming from an Agent and if that agent is subscribed to agent services. If they are not subscribed to agent services an error will be returned.

If the agent is subscribed, HMRC will then check if the agent is authorised to act on behalf of that customer.

HM Revenue & Customs

Amend VAT Return on behalf of Client

4S

This process works exactly the same as a business customer amending a VAT return outlined in 4G.

HM Revenue & Customs

Miscellaneous

Customer Support Model

We are developing a Customer Support Model which will help guide HMRC Customers to the most appropriate support. This may be provided by HMRC or the software vendor depending on the issue. HMRC support will be provided through a variety of channels and options for seeking advice and support:

- We wish to work with software vendors to provide a comprehensive support package that covers software usage, online access and technical issues, as well as straightforward tax queries

- Customers will be signposted to self-help through a suite of guidance products such as videos, webinars and e- learning, which is aimed at specific stages of the MTDfB journey. We will develop the content as we add new functionality.

- A new dedicated team of advisers has been created to offer telephony and webchat support for MTDfB VAT. The team can currently be contacted via the HMRC 'Contact Us' page. We will be developing new signposting on Gov.UK which will focus on digital and webchat support channels.

HM Revenue & Customs

Quick Start Guide & Test Scenarios

To be added in future versions.

HM Revenue & Customs

Terminology

HM Revenue & Customs

To be added in future versions.

HM Revenue & Customs