

## SOP: VAT Report–UK (with MTD)\*

### Aim

These procedures explain how to set up and produce the VAT report for use in the UK and to submit the VAT return to HMRC via the online interface in either the Government Gateway format or the Making Tax Digital (MTD) format.

MTD comes into force April 2019, at which time, most businesses must transition to submitting returns via MTD only. If your business meets the eligibility criteria, you can sign up for the MTD pilot now and start submitting VAT online in the MTD format. Once you sign up for the pilot, you will *only* be able to submit returns via MTD.

For more information regarding submitting a VAT return through Priority, contact us online (<https://www.priority-software.com/contact-us-3/>) or reach out to our UK office.

### Working Assumptions

- United Kingdom is defined as your company's country in the [Company Data](#) form.
- VAT accounts have been defined in the system.

### Setups

#### Stage I: Defining VAT Codes and Percentages

1. In the [List of Tax Groups](#) form, record the relevant tax groups (e.g., standard, reduced rate and zero rate).  
**Note:** Make sure to designate a tax group for services by flagging the **Service Flag** column in one of the lines.
2. In the [Value Added Tax](#) form, record the relevant VAT codes.
3. Link each VAT code to an account in the **Account # VAT on Income** and **Acct # VAT on Expense** columns.
4. In order for these codes to appear in choose lists in sales or purchase documents, flag either the **Tax on Sales** or the **Tax on Purchases** column, respectively.
5. For each code, move to the **Rates per Tax Group** sub-level form and define the tax rates for the tax groups defined previously.

#### Stage II: Setting Up VAT Report Definitions

1. Enter the [Chart of Accounts](#) form and retrieve all VAT and taxable income accounts.
2. Assign each VAT account and income account the relevant **VAT Report Item**. This column is used to determine the section of the VAT report in which the account's transactions appear.
3. Assign each VAT account the appropriate **VAT Code** (e.g., Output VAT, Input VAT) and the appropriate **VAT Group Code** (tax rate). Income and expense accounts for services should be assigned a **VAT Group Code** flagged for services.

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\* Customers are strongly advised not to use the current procedures without prior testing to make sure that they fit their own requirements and work practices.

- Retrieve any expense accounts that are to be excluded from the report and flag the **Exclude from VAT Rep** column for them (e.g., MOT expenses).

## Stage III: Defining VAT Definitions for Customers and Vendors

- Enter the [Financ. Parameters for Customers](#) form. In the **VAT Record Type** column, select the relevant value from the Choose list (e.g., Domestic Customer).
- Enter the [Financial Parameters for Vendors](#) form. In the **VAT Record Type** column, select the relevant value from the Choose list (e.g., EU Supplier).

**Note:** These definitions can also be set (in the same column) for an individual invoice or journal entry.

## Stage IV: Setting Up for HMRC's MTD

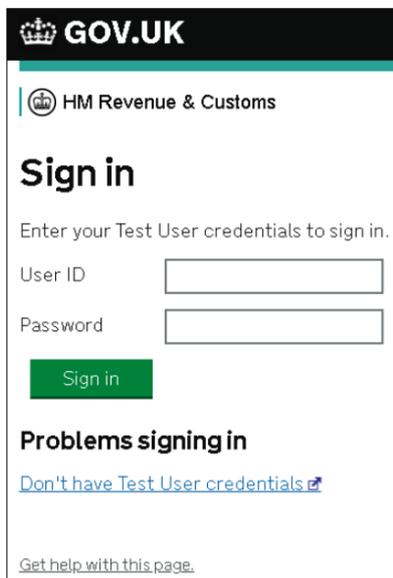
If you will be submitting a VAT return via the MTD service, complete the following steps. You'll need to have your Government Gateway user ID and password:

- At least 72 hours before the submission, sign up for the service via the following link:

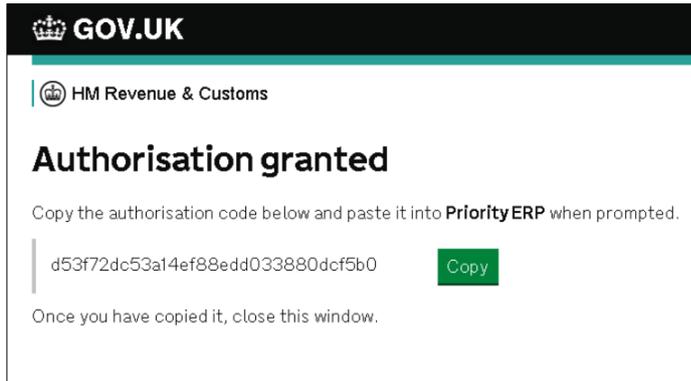
<https://www.tax.service.gov.uk/vat-through-software/sign-up/>

**Note:** Within 72 hours, HMRC will send you a confirmation email. You can only proceed to the next step after receiving the confirmation.

- In **Priority**, run the [Set Up for HMRC's MTD](#) program.
- In the input window that opens, you can specify the subsidiary for which you will be submitting a return. If the company is not a subsidiary, record 000. Click **OK**. A browser page opens to the HMRC website.
- Click **Continue**. A login page appears.



- Enter your HMRC credentials, and click **Sign in**.
- In the window that opens, click **Grant authority** to grant **Priority** the right to submit VAT to HMRC on your behalf.
- In the next window, an authorisation code is displayed. Be careful not to close this window before you complete the process as you will not be able to return to it.



8. Click the **Copy** button to copy the code, and then return to **Priority**. In **Priority**, a new input window is displayed.
9. Paste the code into the **Priority** window, and click **OK**.

## Procedure

### Stage I: Running the VAT Report

Before submitting the VAT return (or at any time), you can run a VAT report for a specified period to check the results, for example, to see the VAT due on sales or the VAT to be reclaimed.

#### To check VAT sums:

1. Run the [Value Added Tax](#) report.
2. Specify the date range for which to run the report.
3. Flag the **Detailed** column if you want the report to display all transactions included in each VAT item and not just the sum total of the transactions.
4. Click **OK** to display the VAT report for the specified period. See the example below:

Value Added Tax		
1	VAT due on sales and other outputs	444.00
2	VAT due on acquisitions from other EC states	100.00
3	Total VAT due	544.00
4	VAT reclaimed on acquisitions and other inputs	1,000.00
5	Net VAT to be paid to HMRC or reclaimed	456.00
6	Value of sales and all other outputs excl.any VAT	2,220.00
7	Value of acqu. and all other inputs excl.any VAT	5,000.00
8	Val.of sales and all other outputs excl.any VAT-EC st	2,220.00
9	Val.of acqu. and all other inputs excl. any VAT-EC st	500.00

**Note:** See the Appendix below for the list of columns appearing in the report.

### Stage II: Preparing to Submit the Return

1. If you are an accountant submitting the return for a client, you must open a customer record for each client (if not, skip to step 2):
  - Open the [Customers](#) form and record the client's **Number** and **Name**.
  - Record a contact for the client in the **Customer Contacts** sub-level form.

2. **Government Gateway only:** in the [Connection Details-Online VAT](#) form, fill in the company's details:
  - If you do not work with subsidiaries, enter 000 in the **Subsidiary Code** column. Otherwise, enter a line for each subsidiary for which you are submitting a return.
  - Record the ID number of the employee submitting the return in the **Employee ID** column. **Important:** The employee must have a **First Name** and **Last Name** recorded in the [Personnel File](#) form.
  - Record the **Web Service Username** and **Web Service Password** assigned by HMRC (click [here](#) to register).
  - Record the e-mail with which you registered for the service in the **Web Service E-mail** column.
  - If you are an accountant submitting the return for a client, record your client's number (as set up in step 1) in the **Customer Number** column and the client's contact in the **Name** column.
  - The number of seconds the system will wait for a response to the request submitted is displayed in the **Secs for Confirmat'n** column. Change the default if necessary (e.g., when communication is slow).

## Stage III: Submitting the VAT Return Online

To submit the VAT return to HMRC via the online interface:

1. Run the [Submit VAT Return](#) program. A consent form opens.

The screenshot shows a 'Parameter Input' dialog box with a close button (X) in the top right corner. The text inside reads: 'When you submit this VAT information you are making a legal declaration that the information is true and complete. A false declaration can result in prosecution.' Below this text is a checkbox labeled 'I agree' which is currently unchecked. At the bottom left is a 'Clear' button, and at the bottom right are three buttons: 'OK' (highlighted in blue), 'Cancel', and 'Help'.

2. Read the declaration, and if you agree, click **I agree**. An input window opens.

The screenshot shows the 'Parameter Input' dialog box with several input fields. The 'Subsidiary' field has a dropdown arrow and contains '000'. The 'Submit from Date' field has a dropdown arrow and contains 'start of this month' with a calendar icon. The 'Submit to Date' field has a dropdown arrow and contains 'end of this month' with a calendar icon. The 'Submission Format' field has a dropdown arrow and contains 'MTD'. There is also a checkbox labeled 'VAT Group?' which is unchecked. At the bottom left is a 'Clear' button, and at the bottom right are three buttons: 'OK' (highlighted in blue), 'Cancel', and 'Help'.

3. In the **Subsidiary** column, enter the code representing the subsidiary for which the VAT return is being submitted. If the company is not a subsidiary, enter 000.
4. In the **Submit from Date** and **Submit to Date** columns, specify the period for which the return is being submitted.

5. In the **Submission Format** column, select the online format in which you will be submitting the return—either the Government Gateway or MTD format. (The Government Gateway is only relevant until 1 April, 2019). Click **OK**.

## Results

- Once the return has been submitted, you will receive a system message indicating whether the submission was successful or not.
- If you receive an error message, it will provide details of the problem so you can correct it and try the submission again. For example, if you switched around the start and end dates of the period, you'll receive the following error message: "The start date falls after the end date."

## Notes:

- The **Submit VAT Return** program can only be used when reporting VAT monthly or quarterly, not when reporting VAT annually (AAS).
- The **Record/Delete URL for VAT Transmission** programs (in the **Online VAT (UK)** menu) should be used only in very rare cases when the URL of the HMRC VAT interface needs to be updated.
- **Government Gateway only:** If the time allotted for confirmation of a transmission expired before the request was confirmed, run the [Resend VAT Data](#) program by direct activation to resubmit the request.

## Using the VAT Transmission Log

You can view transmission requests and responses from the interface, including the amounts of VAT transmitted.

### To view transmission details:

1. Enter the [VAT Transmission Log](#) form.
2. Retrieve the company via the subsidiary code in the **Subsidiary Code** column.  
Each successful VAT submission via the online interface generates three lines in the Government Gateway format and two lines in MTD format (request types MTDobligations and MTDreturns). Each one is a stage in the communication with HMRC. Each line displays the amounts transmitted broken down by VAT categories. If the submission was not successful only one line appears (MTDobligations).
3. To view the details of the communications, including any errors, select the line in the log, and in the **Attachment** sub-level form, open the XML file attachment.
4. To view the message received in HTML format, run the **Responses from HMRC** report by direct activation from the line in question in the upper-level form.

## Appendix: Format of the VAT–UK Return

The VAT return includes the following data boxes:

1. VAT due in the period on sales and other outputs
2. VAT due in the period on acquisitions from other member states of the EC
3. Total VAT due
4. VAT reclaimed in the period on purchases and other inputs
5. Net VAT to be paid to HMRC or reclaimed

6. Total value of sales and all other outputs excluding any VAT
7. Total value of purchases and all other inputs excluding any VAT
8. Total value of all supplies of goods and related costs, excluding any VAT, to other EC member states
9. Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC member states