Bridging to MTD Technical Note

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Introduction

The Prophet business accounts software from version 4.00 includes support for submitting United Kingdom VAT returns online direct to HM Revenue and Customs' computer, known as "Making Tax Digital", rather than completing a paper form. This note describes how you can use Prophet as a temporary bridge for submitting VAT returns without having to transfer all your legacy data into Prophet's internal database straight away.

Before you can start

Ask to submit using MTD

You will need to enable making tax digital on your government gateway account. As at April 2019, this is mandatory if you're above the £85000 threshold, and optional otherwise. Visit

> https://www.gov.uk/guidance/sign-up-for-making-tax-digital-for-vat

to do this. The process takes up to 72 hours.

Configuring Prophet

At a minimum you will need to tell Prophet your VAT reference number (usually starting 'GB') and the start of the VAT period (often this is the first week in April). To do this

- Run !Prophet, then click on its icon bar icon
- Click on **User Details**, scroll to the bottom, and enter your VAT number

Figure 1 – Where to enter the VAT reference number

- Click on **VAT**, click on **Control**, and define your VAT period and basis

Figure 2 – Where to set the period and basis

Entering the data into Prophet

We must now enter two sales and two purchase ledger entries equivalent to the totals for the quarter (or 12 months for annual) covered by the return. This is needed so Prophet can work out the 9 boxes from a conventional paper based return.

By means of an example, assume

- You sell £6200 of goods to customers, £200 of which went to customers in the EC who presented a valid VAT number (you'll need to keep this to enter on form VAT101). That comprises £5000 of sales, £1000 of VAT, and £200 which was 0% rated.
- You purchased £3050 of materials and other consumables, £50 of which was imported from the EC where you presented a valid VAT number so it was 0% rated. That comprises £2500 of purchases, £500 reclaimable VAT, and £50 which was 0% rated so has £10 to declare.

Entering sales

Click on **Sales Ledger** to open sales.
In the first row enter the sales and their VAT, and assign that <u>VAT code 'A'</u>.
Add a second row with sales to the EC which were 0% rated, assign that <u>VAT code 'D'</u>.
Be sure to use a date and tax point such that it falls within the current period, otherwise Prophet will exclude the numbers and your return will not add up correctly.

Date	Tax Point	Customer	Account	Refe	Total	VAT code	VAT	Paid	Heading	Comment	Status
01.08.2018	01.08.2018	Sales 20%	A		6000.00	A	1000.00	6000.00	A:A		Paid
01.08.2018	01.08.2018	Sales EC	A		200.00	D		200.00	A:A		Paid

Sales Ledger : Entry 1 * — Find | Reports | Headings | Accounts | Customers | Main menu | Calculator | P R U p C S

Figure 3 – Sales for the July to September 2018 period

The customer, account, reference, heading, and comment columns aren't being used here, so can be left blank or populated with defaults as shown.
Fill in the Paid column and mark both rows as status 'Paid'.

Entering purchases

Click on **Purchase Ledger** to open purchases.
In the first row enter the sales and their VAT, and assign that <u>VAT code 'A'</u>.
Add a second row with sales to the EC which were 0% rated, assign that <u>VAT code 'E'</u>.
Be sure to put the date and tax point such that it falls within the current period, otherwise Prophet will exclude the numbers and your return will not add up correctly.

Date	Tax Point	Supplier	Account	Refe	Total	VAT code	VAT	Paid	Heading	Comment	Status
01.08.2018	01.08.2018	Purch 20%	A		3000.00	A	500.00	3000.00	A:A		Paid
01.08.2018	01.08.2018	Purch EC	A		60.00	E	10.00	60.00	A:A		Paid

Purchase Ledger : Entry 1 * — Find | Reports | Headings | Accounts | Suppliers | Main menu | Calculator | P R U p C S

Figure 4 – Purchases for the July to September 2018 period

That's the data input, so you can close the ledgers now.

Calculate your nine boxes

Click on **VAT** to open the VAT return.
Use the up/down arrows to change the period to the current one, then press **Total**.

No	Description	Sum	Codes	Total	S	P	A	V
	VAT return — Control · Codes · 6 ▽△ From 01.07.2018 To 30.09.2018 · Submit · Report · Total							
	Key: S=Sales : P=Purchases : A=Total less VAT : V=VAT							
A	Box 1:VAT due on Sales		ABC	1000.00	✓			✓
B	Box 2:VAT due on EC Acquisitions		E	10.00	✓			✓
C	Box 3:Total VAT Due	A+B		1010.00				
D	Box 4:VAT reclaimed on Purchases		ABCEF	510.00		✓		✓
E	Box 5:Net VAT payable/repayable	C-D		500.00				
F								
G	Box 6:Total value of Sales		ABCD	5200.00	✓		✓	
H	Box 7:Total value of Purchases		ABCEF	2550.00		✓	✓	
I								
J	Box 8:Total value of Sales to EC		D	200.00	✓		✓	
K	Box 9:Total value of Purchases to EC		E	50.00		✓	✓	
L								

Figure 5 – Prophet's computation of the return

Per the example described earlier, we can see that £1000 is due on sales, and £10 from the imported £50 of acquisitions. Boxes 6 to 9 are primarily for data analysis use, and are derived from the ledger data (the VAT codes shown are the same ones from the ledgers).

Submit the return

Click on **Submit** at the top of the VAT return window to open the online submission dialogue. If this is the first ever submission you will need to associate Prophet with your government gateway account – this is detailed in the User Guide and not repeated here.
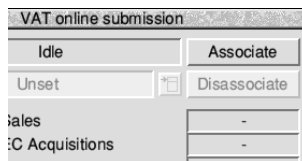

Figure 6 – Associating with HMRC

For all subsequent returns, clicking on **Associate** connects to the remote computer and retrieves the list of obligations (those returns since you signed up for MTD).

Select the period from the pop-up menu. Prophet will automatically pick the oldest open period, which in most cases is the one that is currently due, and get the data from the return shown in Figure 5. Click on **Submit** to send the nine boxes at which point you'll need to confirm that the figures are a truthful statement on behalf of your company.

It is advisable as a last step to save this database as it has important records which you may need to refer back to in the event of an audit. You must also save whatever figures were used to arrive at the sales and purchase totals since they were accumulated outside of Prophet it will not show up in any of Prophet's reports.