



Making Tax Digital for VAT

Guide to product changes

Opera 3 (2.60.10)

Scheduler (2.20)



Making Tax Digital for VAT
Guide to product changes
Version 2.0
April 2019

Opera3 (2.60.10)
Scheduler (2.20)

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Introduction

Making Tax Digital (MTD) is a government initiative designed to transform the tax system and to end the use of the tax return for a great many taxpayers. It is intended to make it easier for businesses and individuals to maintain records and to get their tax correct. Under Making Tax Digital for VAT, businesses will be required to keep records digitally and send VAT return data to HMRC online.

Making Tax Digital for VAT comes into force on 1 April 2019 and will apply for most businesses with annual sales over the VAT threshold of £85,000. If Making Tax Digital for VAT applies to you, you'll have to use digital tools to keep records of your income and costs.

Until 1 April 2019 you can use the free Government Gateway for entering your VAT return, but for your first full VAT period after 1 April 2019 you will need to use Making Tax Digital for VAT software to submit your VAT returns.

You will not have to follow the Making Tax Digital for VAT rules where HMRC is satisfied of the following:

- The business is run entirely by practicing members of a religious society whose beliefs are incompatible with the requirements of the regulations (for example, those religious beliefs prevent them from using computers).
- It is not reasonably practicable for the business to use digital tools to keep your business records or submit your returns, for reasons of age, disability, remoteness of location or for any other reason.
- The business is subject to an insolvency procedure.

A six-month deferral period will apply to businesses who fall into one of the following categories. These groups will be mandated to use Making Tax Digital for VAT from 1 October 2019.

- Trusts
- Not for profit organisations that are not companies (this includes some charities)
- VAT divisions and VAT groups
- Public sector entities that are required to provide additional information alongside their VAT return (such as Government departments and NHS Trusts)
- Local authorities and public corporations
- Traders based overseas
- Those required to make payments on account
- Annual accounting scheme users

For more details please visit www.gov.uk and read these articles:

- [Overview of Making Tax Digital](#)
- [Vat-notice-70022-making-tax-digital-for-vat](#)

Summary of product changes

The following new features have been added for Making Tax Digital for VAT:

- New options on the *Company Profiles* screen to switch on Making Tax Digital for VAT at the appropriate time.
- The new *MTD VAT Centre*, which is used for the following:
 - Authorising your Pegasus Opera 3 software with HMRC for Making Tax Digital for VAT.
 - Creating VAT codes, including a new 'J' type code for posting end of period VAT adjustments.
 - Posting VAT adjustments to amend box values either before or after committing your VAT data to the VAT period, retaining a record for audit purposes.
 - Automatically consolidating VAT transactions into the group company in Pegasus Opera 3 when the VAT periods are committed in the subsidiary companies. Subsidiary companies must have the same VAT Registration Number.
 - Monitoring the current VAT Return values and viewing box values for previous submissions.
 - Submitting VAT Returns to HMRC using the HMRC Making Tax Digital for VAT 'API'.
 - Printing file copies of previously submitted VAT Returns.
 - Importing VAT values (*new in version 2.60.10*).
- A new version of Pegasus Scheduler must be installed. Pegasus Scheduler (2.20) provides the secure communication mechanism that makes it possible to submit VAT Returns to HMRC from the *MTD VAT Centre* using the HMRC Making Tax Digital for VAT 'API'. Pegasus Scheduler is installed separately to Pegasus Opera 3.

Additional guide for Making Tax Digital for VAT

This additional guide for Making Tax Digital for VAT is available at docs.pegasus.co.uk.

<p>Checklist guide for switching on MTD for VAT</p>	<p>This guide is provided so that you understand how to switch on Making Tax Digital for VAT in Pegasus Opera 3.</p>
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Frequently asked questions

An FAQ guide covering frequently asked questions about Making Tax Digital for VAT is available on the Pegasus Opera 3 User Guides page at docs.pegasus.co.uk.

Company Profiles - new MTD for VAT options

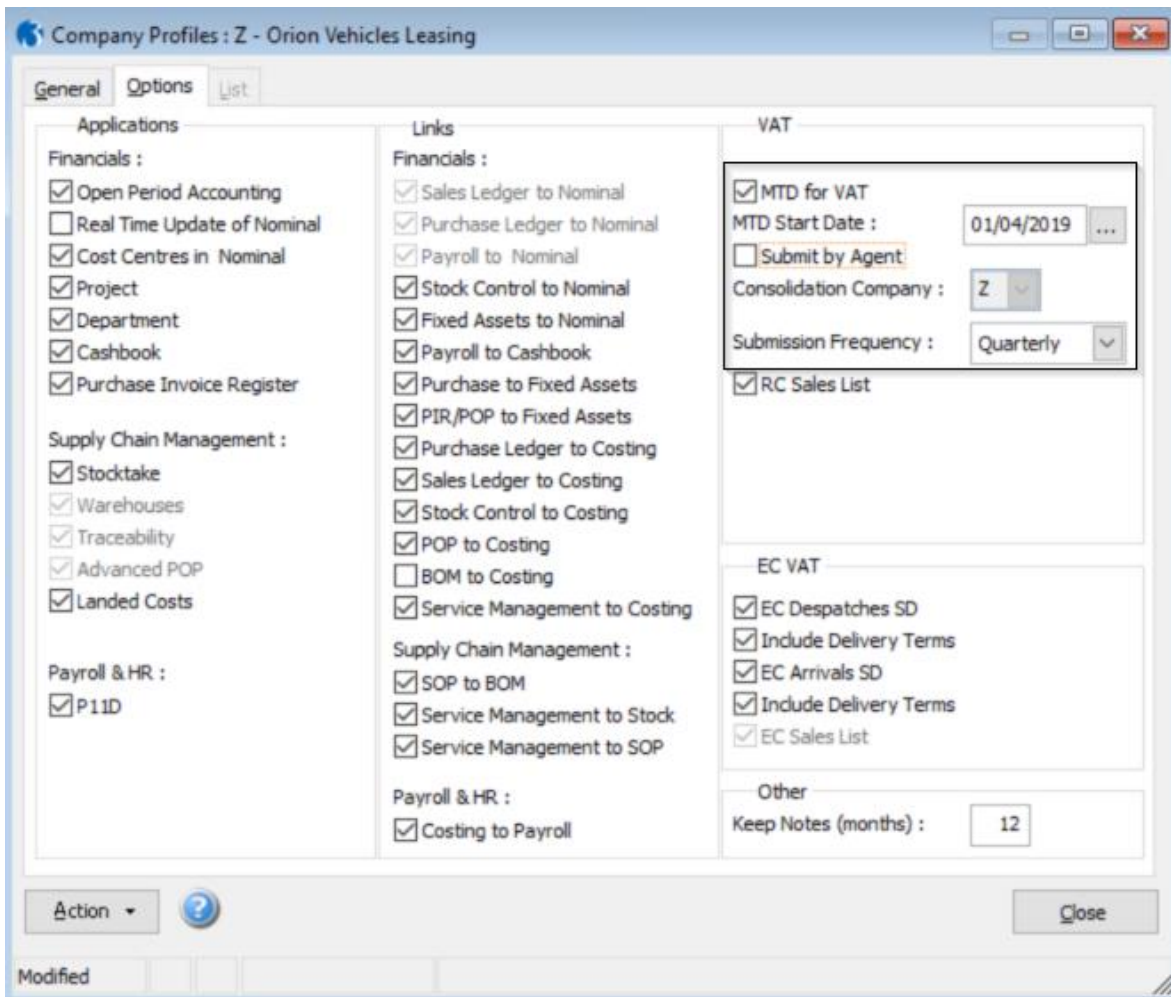
The **Company Profiles** screen in the System Manager (accessed from the System - Maintenance - Company Profiles menu) now includes new options for switching on and entering the start date for Making Tax Digital for VAT in Pegasus Opera 3.

You must sign up for Making Tax Digital for VAT with HMRC before switching it on in Pegasus Opera 3. The earliest that you can switch on Making Tax Digital for VAT is 1 April 2019.

If you have more than one company in Pegasus Opera 3 with the same VAT Registration Number, you must update the Making Tax Digital for VAT options from the group company. The subsidiary companies will then automatically be updated to match the group company.

There are also further options for the following:

- Selecting whether the Making Tax Digital for VAT submission will be sent by an agent.
- Choosing a consolidation company for VAT.
- Selecting a submission frequency for the VAT Return (quarterly, monthly, annually or custom).



When should Making Tax Digital for VAT be switched on - examples

Making Tax Digital for VAT rules apply to business from the first VAT period starting on or after 1 April 2019.

The following examples will help with understanding when Making Tax Digital for VAT should be switched on.

Example 1: VAT period spans 1 April 2019

In this example Making Tax Digital for VAT must not be switched on yet.

A business that is mandated for Making Tax Digital for VAT submits a quarterly VAT return, and their next VAT return covers the period 1 March 2019 to 31 May 2019.

Because the start of the VAT period is not on or after 1 April 2019, the business will need to start complying with Making Tax Digital for VAT rules for the period starting 1 June 2019.

This means the VAT return for the period 1 March 2019 to 31 May 2019 will be submitted using an old method, for example the HMRC online portal.

Example 2: VAT period starts on 1 April 2019

In this example Making Tax Digital for VAT must be switched on.

A business that is mandated for Making Tax Digital for VAT submits a quarterly return, and their next return covers the period 1 April 2019 to 30 June 2019.

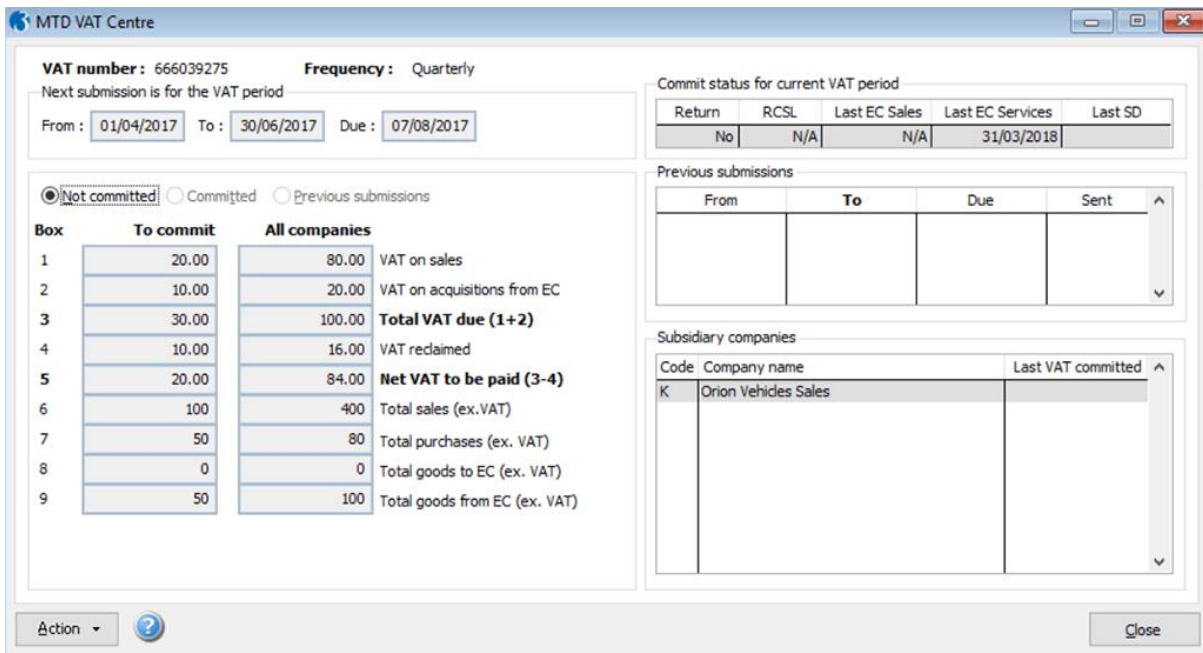
Because the start of the VAT period is on or after 1 April 2019, the business will need to start complying with Making Tax Digital for VAT rules for that period starting on 1 April 2019.

MTD VAT Centre

The new **MTD VAT Centre** screen in Pegasus Opera 3 is designed for completing VAT related tasks after Making Tax Digital for VAT has been switched on. You must authorise your Pegasus Opera 3 software with HMRC before your first submission for Making Tax Digital for VAT. You will need your Government Gateway credentials so that HMRC can grant authority to Pegasus Opera 3.

The box values for your current VAT Return are automatically calculated when the MTD VAT Centre is opened. Any adjustments that need to be made to your VAT Return before or after you have committed your VAT data must be made from this screen. It is also here that you commit transactions to a VAT Period and submit your VAT Return to HMRC.

The MTD VAT Centre is available from the **Administration** group in the ribbon bar.



Form using test data prior to 1 April 2019 for illustration purposes, including subsidiary company.

The MTD VAT Centre displays the following:

- VAT Registration Number, frequency and dates for the current VAT period
- Values for boxes 1 to 9 on your VAT Return
- The commit status for the current VAT period for the VAT Return and other reports
- Details of previous submissions to HMRC if submitted via Pegasus Opera 3
- Details of subsidiary companies for VAT consolidation.

VAT Consolidation

In the situation where more than one company with the same VAT Registration Number is maintained in Pegasus Opera 3, only one VAT Return must be submitted to HMRC. It's important therefore to be able to consolidate the VAT values for each subsidiary company into a main consolidation group company.

VAT transactions can only be consolidated for companies that have the same VAT Registration Number, and use the same submission frequency and tax period dates. Subsidiary companies are displayed along with the date the VAT Return was committed.

VAT transactions for subsidiary companies are consolidated into their group company after they have been committed to the VAT Return in the subsidiary company.

Action menu

All the relevant actions relating to VAT related tasks are available on the *Action* menu.

Menu item	Description
Commit	<p>This commits the VAT transactions to the VAT Return period using the relevant VAT data from the Sales Ledger, Purchase Ledger and Nominal Ledger.</p> <p>This item is disabled when all VAT data has been committed to the current VAT period.</p>
Adjust committed	<p>This is used to amend the VAT Return at the end of a VAT period after committing your VAT data but before submitting it to HMRC. The tax point date used for adjustments to committed VAT is the final day in the VAT period.</p> <p>With Making Tax Digital for VAT the only permitted way to do this is by using this screen rather than amending the values directly. In earlier versions of Pegasus Opera 3 you could amend values directly in boxes 1 to 9 on the VAT Return screen.</p>

Menu item	Description
	<p>Adjust committed is enabled if the Committed radio button is selected. However, the menu item is always disabled if the company's VAT data is consolidated into a group company, in other words when a company is a subsidiary for VAT purposes.</p>
Adjust uncommitted	<p>This is used to amend the VAT Return before committing your VAT data. You can use any tax point date in the current VAT period when posting the adjustment.</p> <p>This item is enabled if the Not Committed radio button is selected.</p>
Submit to HMRC	<p>This submits the VAT Return to HMRC using the communication software for Making Tax Digital for VAT in Pegasus Scheduler (2.20)+.</p> <p>When you submit your VAT Return to HMRC you are making a legal declaration that the information is true and complete.</p> <p>If you're an agent submitting the return for a client you must make a copy of the information available to the client. The client must approve the details in the submission.</p>
Summary <i>(new in version 2.60.10)</i>	<p>This form displays summary VAT values for boxes 1 to 9. Subsidiary companies are displayed separately. If VAT values have been imported, the date and time of the import is displayed, plus the import comment instead of the company name.</p> <p>To print a consolidation report or save the details to a spreadsheet, use the print icon on the toolbar.</p>
View HMRC Receipt <i>(new in version 2.60.10)</i>	<p>This is a read-only view that displays the detailed response from HMRC when a VAT Return has been submitted. This information may be needed if HMRC asks you to provide evidence of a submission.</p>
VAT Reports	<p>This includes audit reports of invoices, credit notes and journals for the selected period, plus reports that list supply and VAT values for each VAT code.</p> <p>To print the paper VAT Return in the pre-MTD format, use the print icon on the toolbar.</p>
EC VAT Maintenance	<p>This includes maintenance screens for recording codes for EU trade - Countries, Transport Modes, Transaction Nature, Delivery Terms and Commodity Codes. Available if EC VAT is included in the activation.</p>

Menu item	Description
EC VAT Reports	This is where EC Sales Lists and Supplementary Declarations are filed with HMRC. The reports available here are controlled by relevant options selected on the Company Profiles screen. Available if EC VAT is included in the activation.
VAT Codes	This is where you create the VAT codes you need to post VAT transactions and adjustments.
Import VAT Values <i>(new in version 2.60.10)</i>	<p>This imports VAT Return values boxes 1 to 9 into the current VAT period using a comma separated values (CSV) file. This file will have been created outside of Pegasus Opera 3, possibly in a spreadsheet or a different accounting solution. This means that you can use Pegasus Opera 3 as bridging software between another accounting solution and HMRC.</p> <p>This wizard is available if the 'Advanced MTD' feature is activated.</p>
Authorise	<p>When you open the MTD VAT Centre for the first time you will be asked to authorise your Pegasus Opera 3 software so that VAT Returns can be submitted to HMRC. This must be done before the other features of the MTD VAT Centre can be used. This menu item should be used if your installation of Pegasus Opera 3 has not yet been authorised by HMRC. The authorisation will be recorded for the active Opera 3 user.</p> <p>When you use this command, you will be taken to a GOV.UK page to authorise your software. You will need to sign in using your Government Gateway credentials or agent credentials if you're acting as an agent.</p>

End of period VAT Adjustments

With Making Tax Digital for VAT the only permitted way to post end of period VAT adjustments is by using new screens in Pegasus Opera 3 named *Adjust committed* and *Adjust uncommitted*. In earlier versions of Pegasus Opera 3 you could amend values directly in boxes 1 to 9 on the VAT Online screen.

Adjustments to the VAT Return are highlighted on the *VAT Audit Summary* report - available from the *Action* menu on the MTD VAT Centre screen.

New 'J' type VAT code

A new type of VAT code that uses a transaction type 'J' is available in Pegasus Opera 3 that is used only when posting VAT adjustments. With these VAT codes, you define which VAT Return boxes are updated when the VAT code is used, in accordance with HMRC rules. These VAT codes are only available on the new *Adjust committed* and *Adjust uncommitted* screens.

This type of VAT code is used to update the VAT Return only without updating the Sales, Purchase or Nominal ledgers, and can be created with or without EC VAT in the activation.

VAT Codes : New Record

General | List

Country Type : **H** Home Country

Trans. Type : **J** VAT Adjustment

VAT Code : **1**

Description : VAT Adjustment

Nominal Code :

Rate 1 % : 0.00

Date 1 : 07/01/2019

Rate 2 % : 0.00

Date 2 : //

VAT Return Boxes

6 - Total Value of Sales

7 - Total Value of Purchases

8 - Total Value of Supplies (EC)

9 - Total Value of Acquisitions (EC)

1 - Tax Value on Sales

2 - Tax Value on Acquisitions (EC)

4 - Tax Reclaimed on Purchases

EC

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There is no validation on the boxes that you can tick for J type VAT codes. You must be sure that only the relevant boxes are ticked for this adjustment VAT code. Check with HMRC if necessary.

OK

New

Adjust committed VAT

The *Adjust committed* screen is used to amend the VAT Return at the end of a VAT period after committing your VAT data to the current VAT period.

With Making Tax Digital for VAT the only permitted way to adjust your VAT Return is by using this command rather than amending the values directly. End of period VAT adjustments must be done in accordance with HMRC rules. The tax point date used for adjustments to committed VAT is the final day in the VAT period.

An additional check box named 'Post Committed' is available on the Detailed VAT Audit Trail report. This allows VAT adjustments that were posted after the VAT Return was committed to be included on the report.

Adjust uncommitted VAT

The *Adjust uncommitted* screen is used to amend your current VAT Return before committing your VAT data to the current VAT period. You can use any tax point date in the current VAT period when posting the adjustment.

Communication with HMRC

Pegasus Scheduler

Pegasus Scheduler (2.20) has been enhanced to provide a secure communication method using the 'MTD VAT API' - the Making Tax Digital for VAT service by which Pegasus Opera 3 receives details of the open VAT period from HMRC and submits your VAT Return to HMRC.

You must install Pegasus Scheduler (2.20) and have an internet connection to use the MTD VAT Centre.

Pegasus Scheduler is installed separately to Pegasus Opera 3. Please visit the User Guides page for Pegasus Opera 3 at docs.pegasus.co.uk and follow the installation instructions included in the Pegasus Opera 3 Installation guide.

Details received from HMRC

When the MTD VAT Centre screen is opened Pegasus Opera 3 automatically communicates with HMRC and receives details of the open VAT period. These details are then displayed under the *Next submission is for the VAT period* section of the MTD VAT Centre.

These details are received from HMRC:

VAT period start	The start date of this obligation period.
VAT period end	The end date of this obligation period.
Date due	The payment due date for this obligation period.
VAT period status	Either Open or Fullfilled.
Date received	The obligation received date, if status is fulfilled.

Details sent to HMRC

The MTD VAT Centre includes a menu item to submit your VAT Return to HMRC.

When you submit your VAT Return to HMRC you are reminded that you are making a legal declaration that the information is true and complete. If you are an agent acting on behalf of a customer, you are additionally reminded that your client must have approved the information contained in the submission and received a copy.

The information sent to HMRC corresponds to the nine box values you see on the VAT Return. No underlying transactional information is sent.

These VAT details are sent to HMRC:

Value	Corresponds to VAT Return
VAT due on sales and other outputs	Box 1
VAT due on acquisitions from other EC Member States	Box 2
The sum of VAT due on Sales and VAT due on Acquisitions	Box 3
VAT reclaimed on purchases and other inputs (including acquisitions from the EC)	Box 4
The difference between the total VAT due and the VAT reclaimed	Box 5
Total value of sales and all other outputs excluding any VAT	Box 6
Total value of purchases and all other inputs excluding any VAT (including exempt purchases)	Box 7
Total value of all supplies of goods and related costs, excluding any VAT, to other EC member states	Box 8
Total value of acquisitions of goods and related costs excluding any VAT, from other EC member states	Box 9