



Making Tax Digital for VAT (MTD) - Detailed digital record keeping requirements

1 Supplies made

- For each supply you make you must record the:
 - time of supply (tax point)
 - value of the supply (net value excluding VAT at each VAT rate)
 - rate of VAT charged (VAT at each VAT rate)

	Date	Invoice number	Details	Gross	VAT (20%)	VAT (5%)	Net (20%)	Net (5%)	Net (0%)	Net (Exempt)	Net (Outside scope)	Sales	Interest	Transfers
1														
2														
3														
4														
5														
6														
7														
8														

The time of supply is the date that you must declare output tax on. Typically this is when you send a VAT invoice or, if you are on cash accounting, when you receive payment for the supply. Where more than one supply is recorded on an invoice and those supplies are within the same VAT period and are charged at the same rate of VAT you can record these as a single entry.

Example 1

You sold 10 standard rated items and 15 zero rated items on a single invoice then you would only need to record the total figures for each of the VAT rates.

Example 2

You are on standard accounting and a customer makes a part payment before you send out an invoice. If the payment and invoice were received and sent in the same period, you can record the supply as one transaction with one transaction date. Otherwise, where one supply needs to be recorded in different periods the precise manner will depend on the software.

You must also have a record of outputs value for the period split between standard rate, reduced rate, zero rate, exempt and supplies which are outside the scope of UK VAT. However, you only need to keep a digital record of 'outside the scope' supplies that you are required to include in your VAT Return.

Where you need to apportion the output tax due on a mixed rate supply with a single inclusive price you do not have to record these supplies separately. You can record the total value and the total output tax due.

Not all software will allow you to record a rate of VAT other than the standard, reduced or zero/exempt. If this is the case, this mixed supply should be recorded as either one standard rated supply and one zero rated supply or you can record the sale at one rate and correct the VAT through an adjustment at the end of the period. You will also need to do this if you are using a margin scheme or the flat rate scheme.

Example 3

A business sells a meal deal for £3. It contains a zero rated sandwich, a standard rated pack of crisps and a standard rated drink. The apportionment shows that the VAT due is 30p. The business can record this as an individual supply with 30p of output tax if their software allows this. Below are 3 potential ways this could be recorded.

(i) Software allows input of total VAT

The value of the supply (net value excluding VAT) £2.70. Total VAT charged: £0.30

(ii) Meal deal recorded as standard rated and zero rated supplies

If their software does not allow this they could record the supply as a standard rate element of £1.50 and a zero rated element of £1.20.

Element 1 (standard rated portion)

The value (net value excluding VAT) £1.50. The rate of VAT charged: Standard rate

Element 2 (zero rated portion)

The value (net value excluding VAT) £1.20. The rate of VAT charged: Zero rate

(iii) Supply recorded at one rate and VAT corrected at the end of the period

Alternatively, they could record the meal deal as one entry and correct the VAT at the end of the period. The value of the supply (net value excluding VAT) £2.70. The rate of VAT charged: Standard rate Adjustment to correct mixed rate VAT: -£0.24

2 Supplies made by third party agents

A third party agent can act for, or represent, a business in arranging supplies of goods or services. The supplies that you arrange are made by, or to, the business represented.

HMRC is aware of a number of circumstances in which a third party agent makes supplies on behalf of a business and it may not be possible or practical for the business to record digitally every single supply. Therefore HMRC can accept businesses recording these digitally as a single invoice.

Where a third party agent makes supplies on your behalf, those supplies do not fall within the digital record keeping requirements until you receive the information from the agent. Where the information is received as a summary document you can treat this document as one invoice issued by you for the purpose of creating your digital record.

Example

A business uses a letting agent to rent out a number of properties. Each month the letting agent provides a summary of the rents collected and VAT charged. The business can treat all supplies covered in this summary document as if they were covered by a single sales invoice, rather than treating each invoice issued on their behalf separately. They can group transactions together providing they are within the same VAT period and are charged at the same rate of VAT.

This rule would not cover circumstances where responsibility for supplies is assumed by other persons who are not third party agents of the business. For example it does not cover supplies made by an employee on behalf of your business or by a charity volunteer for the purposes of a fundraising event such as a church fete.

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

This only includes supplies recorded as part of your VAT Return, supplies that do not go on the VAT Return do not need to be recorded in functional compatible software. For example, wages paid to an employee would not be covered by these rules.

There is no requirement under the regulations to record inputs for the period split by VAT rate.

The time of supply is typically the date on the VAT invoice or, if you are on cash accounting, when you pay for the supply. However you must also hold the associated evidence to claim deduction of input tax.

If more than one supply is on an invoice you can record the totals from the invoice.

Where the amount of input tax that you will claim is not known at the time you record the supply you have received, you can record:

- the total amount of VAT and adjust for any irrecoverable VAT once calculated
- no VAT and adjust for any recoverable VAT once calculated
- VAT recoverable based on an estimated percentage and adjust for any VAT once calculated

Where an invoice includes supplies with different times of supply that are within the same VAT period, you may record all supplies on the invoice as being at the same date. On cash basis, you may record supplies based on statement total and date if the statement details the input VAT. (HMRC may update this guidance to state that the statement does not have to detail the VAT)

Example

A business uses cash accounting and has paid the amounts on the invoice over 3 months. Two of the months are in the same VAT period so can be recorded together. The payments relating to the other month must be recorded separately. The precise manner of recording the information in different periods will depend on the software. This could be done by splitting the amounts out, or the software may allow one line to show different periods for the VAT to be recorded.

If a business pays the actual cost or a proportion of the travel and subsistence cost of an employee, it can claim the total or a proportion of the total input tax incurred.

Where you are claiming input tax on employee expenses and your employee provides the combined value of more than one purchase, you do not have to record each purchase separately. You can record the total value and the total input tax due.

4 Supplies received by third party agents

A third party agent can act for, or represent, a business in arranging supplies of goods or services. The supplies that you arrange are made by, or to, the business represented.

HMRC is aware of a number of circumstances in which a third party agent makes purchases on behalf of a business and it may not be possible or practical for them to record digitally every single supply received. Therefore HMRC can accept businesses recording these digitally as a single invoice.

Where a third party agent makes purchases on your behalf, those purchases do not fall within the digital record keeping requirements until you receive the information from the agent. Where the information is received as a summary document you can treat this document as one invoice received by you for the purpose of creating your digital record.

5 Reverse charge transactions

If your software records reverse charge transactions you do not need separate entries for the self-supply and purchase. If your software does not record reverse charge transactions you will need to record reverse charge transactions twice, once as a supply made and a second time as a supply received.

6 Summary data

To support each VAT Return you make, your functional compatible software must contain:

- the total output tax you owe on sales
- the total tax you owe on acquisitions from other EU member states
- the total tax you are required to pay on behalf of your supplier under a reverse charge procedure

- the total input tax you are entitled to claim on business purchases
- the total input tax allowable on acquisitions from other EU member states
- the total tax that needs to be paid or you are entitled to reclaim following a correction or error adjustment,

and

- any other adjustment allowed or required by VAT rules. A total of each type of adjustment must be recorded as a separate line.

Business Name: XYZ Business
Address: 6 Salop Road, Oswestry, Shropshire, SY11 2NU
VAT scheme: Flat rate
VAT Registration No: 124546856
Start Date: 01/04/2019
End Date: 30/06/2019

BOX 1	VAT due in this period on Sales and other outputs	
BOX 2	VAT due in this period on acquisitions from other EC Member States	
BOX 3	Total VAT due (the sum of boxes 1 and 2)	£0.00
BOX 4	VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC)	
BOX 5	Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	£0.00
BOX 6	Total Value of sales and all other outputs excluding any VAT. Include your Box 8 figure.	
BOX 7	Total value of purchases and all other inputs excluding any VAT. Include your Box 9 figure.	
BOX 8	Total value of all supplies of goods and related costs, excluding VAT, to other EC Member States.	
BOX 9	Total Value of acquisitions of goods and related costs, excluding VAT, from other EC Member States	

6 Adjustments

Where you are allowed or required to adjust the input tax claimed or output tax you owe according to the VAT rules you must record this adjustment in functional compatible software. Only the total for each type of adjustment will be required to be kept in functional compatible software, not details of the calculations underlying them.

If the adjustment requires a calculation, this calculation does not have to be made in functional compatible software. If the calculation is completed outside of functional compatible software then digital links are not required for any information used in the calculation. However using software for all your calculations will reduce the risk of errors in your returns.

Where the input tax claimed or output tax due on a supply has been changed as the result of an adjustment you do not need to amend the digital record of the supply.

Example 1

A partly exempt business software allows it to record amounts of VAT relating to both exempt and taxable supplies. At the end of the period they complete a partial exemption calculation and put the adjustment into their return. The calculation is not completed in the software. The business does not have to go back and change each line in the software to reflect the amount of recovery on each invoice.

Example 2

A business has a software package that requires a period to be closed before the return can be completed.

After the period has been closed the business is calculating adjustments before submitting the return. Invoices are found that should be included on the return. The business can enter the figures as an adjustment to ensure the return is correct, but they must record the invoices in their functional compatible software to complete their digital records.

7 Correcting errors

Error corrections are made by one of 2 methods. VAT Notice 700/45. For method 1, see adjustments above.

Where a business makes an error correction using method 2 (errors where form VAT 652 is completed), they are not required to amend the input tax claimed or output tax charged recorded in the digital record of the supply.

Example

A business notices an error in its records. The total value of the error is £65,000 so the business must correct the error using error correction method 2. The business does not have to make any changes in its functional compatible software, but must keep all records as normal.

8 Retail schemes

In addition to the records listed above, if you account for VAT using a retail scheme you must keep a digital record of your Daily Gross Takings (DGT). You are not required to keep a separate record of the supplies that make up your DGT within functional compatible software.

9 Flat rate scheme

If you account for VAT using the Flat Rate Scheme:

- you do not need to keep a digital record of your purchases unless they are capital expenditure goods on which input tax can be claimed
- you do not need to keep a digital record of the relevant goods used to determine if you need to apply the limited cost business rate

If your software does not include a Flat Rate Scheme setting, and does not allow you to include a rate of VAT other than standard, reduced, zero/exempt, then you will need to record the supply as either one standard rated supply and one zero rated supply. Alternatively, you can record the sale at one rate and correct the VAT through an adjustment at the end of the period, using the same method HMRC will allow you to use to correct the VAT on a mixed supply

10 Margin schemes

You are not required to keep the additional records required for these schemes in digital form, nor are you required to keep the calculation of the marginal VAT charged in digital form. These records must still be maintained in some format.

If you do keep a digital record and your software does not allow you to record the VAT on the margin, then you will need to record the supply as either one standard rated supply and one zero rated supply. Alternatively, you can record the sale at one rate and correct the VAT through an adjustment at the end of the period, using the same method HMRC will allow you to use to correct the VAT on a mixed supply