

MTD Bridging Software

(Lecture B1125 – 23.48 minutes)

MTD for VAT should be straightforward when the client uses cloud based MTD compatible software and grants us advisor access. Such software includes Xero, QuickBooks, Sage etc.

Older non-API versions of SAGE, QuickBooks etc can also work without the need to upgrade to the latest API compatible version. You just need to buy bridging software.

Other lesser known software can also work with bridging software.

Bridging software

Many commercial organisations have released MTD compatible bridging software and it would be worth having a look at offerings from:

- Absolute Software
- Avalara
- BTC Software
- Intuit (QuickBooks)
- MTD Express (www.mtdexpres.co.uk)
- Neilson James Technology
- PWC (free to charities)
- VT

Virtually all are licence based with fees around £40 pa. Accountant licences are available which can reduce costs to around £2 per client per quarter – depending on the number of licences bought.

MTD Express is very good and the examples that follow are based on how that bridging software works. Other providers should have similar systems.

Example 1

ABC Limited with turnover in excess of £1m has an old SAGE Line 50 which they have used for many years. They do not want to upgrade to a cloud based system due to costs, disruption, new training etc.

For £40 a year they could stay exactly as they are and be MTD compliant with bridging software.

All of the bridging software will do the same thing but all have subtle variations. Ultimately it will be whatever is the simplest and most stable bridging software.

With bridging software, you will need to access your online account with your chosen bridging supplier. There will be a facility to upload your VAT 100 into your online account. The bridging software will read the uploaded VAT 100 and populate the API enabled VAT 100 in their system. You will then be able to upload the API enabled VAT return from the bridging software.

Bridging software should accept various import options including as XLS, XLSX (excel spreadsheets), CSV (Comma separated file) and TXT (Text file). These options cover all export functions from excel and non-API versions of accounting packages such as QuickBooks and SAGE. Their bridging software has built in mapping and when you upload from SAGE 50 (say) the mapping automatically populates the API VAT 100.

Spreadsheets

Spreadsheets can work under MTD VAT but you will need a digital link to the HMRC system. This can be provided by bridging software.

Spreadsheets combined with bridging software will also have longevity ie they will be around for a long time.

The clients existing spreadsheet system should culminate in a worksheet which has the required 9 Boxes for the VAT submission. Currently they manually input their VAT return into the HMRC system. Under MTD the spreadsheet can remain but we must change the method of submission – it cannot be manual if we are mandated into MTD.

Most bridging software will provide a template for the 9 Box VAT return and this will need to be incorporated into the clients spreadsheet system as a separate worksheet. Bridging software would expect Box 1 outputs to be in cell N10 (for example). The standard template allows the bridging software to pick up the required 9 boxes for incorporating into their API submission.

This does not mean a complete re-work of the clients excel spreadsheet. You just create a new worksheet with the downloaded VAT 100 template from the bridging software and replicate the cell links on your current VAT 100. When done delete the old VAT 100 worksheet and you are good to go. Every quarter the templated VAT 100 can be uploaded into bridging software to enable the VAT return to be submitted.

Example 2

A VAT registered IT contractor with taxable income of £100,000 keeps his accounting records on excel. His returns are on the 30 April VAT stagger.

The contractor is very comfortable with excel. His spreadsheet has various worksheets – the principle three being sales invoices, purchase invoices and a bank reconciliation. The bank reconciliation worksheet is cell linked to the receipts and payments noted on the sales invoice and purchase invoice worksheets. He has a VAT return worksheet which has the nine VAT return boxes cell linked to the appropriate cells on his sales and purchase worksheets.

The client must sign up for MTD.

He can continue with his excel spreadsheet but he must purchase bridging software to facilitate the API submission for his first MTD mandated VAT return to 31 July 2019.

He should then grant his software HMRC authority via links within the bridging software – this is a one-off exercise.

For the four VAT returns to 30 April 2020 the client could manually enter his excel VAT return numbers into the bridging software and then allow the bridging software to digitally upload to the API gateway. There is a one year soft landing for digital links. It would however be easier to upload the templated VAT return into the bridging software!

For the VAT return to 31 July 2020 and beyond he must upload his excel VAT return into his bridging software. The soft landing period for digital links has ended.

All bridging software should be compatible with excel and will allow this function.

So spreadsheets and bridging is very straightforward. From your desktop you simply access the internet and log in to your bridging software to upload your templated excel VAT 100. The bridging software will automatically populate the API enabled VAT100 from the imported file. From there you submit your return.

E-recording functions

Some of the better bridging software has e-recording functions. The bridging software would then become more than the conduit for submitting VAT 100s – it would become the digital accounting records of the business. This would be particularly useful for manual record clients who are looking for a simple solution for MTD.

The MTD Express bridging software offers specific e-recording functions for second hand margin scheme and retail schemes.

Manual records

For those who have particular issues it is worth submitting a request for a SI 1995/2518 Reg 32B Para 1(c) exemption i.e. MTD is not reasonably practicable by reason of age, disability or location etc. If granted you can continue with manual records.

If HMRC refuse then we could:

- design a spreadsheet to look like their cashbook. They may feel comfortable treating this as their new cashbook;
- see if they are able to raise sales invoices in Xero (or equivalent). If we then signed them up for bank feeds we might be able to make this work. We may spend a little more time through the quarters but less at year end.
- see if e-recording via bridging software was an option. Some of the bridging software is offering to enter data in their e-recording software from scanned cashbooks for < £10/hour.

Conclusion

Cloud based software is great for MTD but some clients may not feel inclined to go down this route.

Many will prefer to stay exactly as they are whether it be spreadsheet records, older versions of SAGE, QuickBooks etc or bespoke software.

Bridging software allows clients to continue with their current accounting systems. Individual licences are around £40 pa but agent licences can be as low as £1 or £2 per VAT return.

Bridging software will be around for a long time and it will certainly be able to deal with MTD for income tax when that arrives.

The only clients who have to change the way they do things are manual record clients unless they get an HMRC Reg 32B Para (1)c exemption.

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