

Adminsoft Accounts Basic User Guide – UK VAT

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Adminsoft Accounts User Guide

UK VAT

Written by Michael Towle

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This guide is specifically for VAT in the United Kingdom as from 1st January 2021. It's in two parts, because when the UK left the EU, Northern Ireland remained in the EU Single Market for goods. This means when it comes to import/export, of goods in Northern Ireland the VAT regime remains the same as it was when the UK was a member of the EU. So there are separate sections in part of this guide: one for England, Wales, Scotland, and one for Northern Ireland.

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Value Added Tax is one of those tax systems that should be fairly straight forward and simple to operate. Unfortunately, in most countries, and certainly within the European Union and the United Kingdom in particular, it's anything but. Over the years it's become increasingly complicated (and in my humble opinion very much over-complicated).

Telling the software you are VAT registered

Adminsoft Accounts will run as if the company/organisation is not VAT registered, unless you tell it otherwise. There are two locations in the software where you can do this. The first is presented just after installing the software, and you are entering the details of your company/organisation:

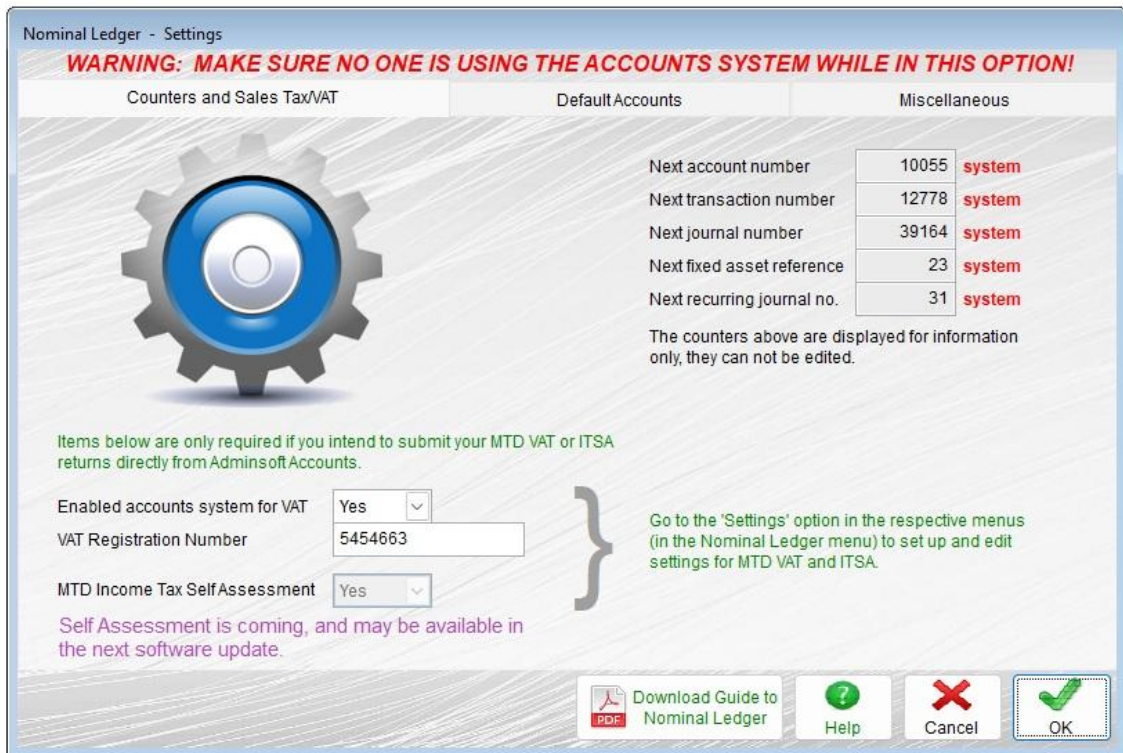
The screenshot shows the 'Company/Organization Details' window. The 'Code' field is set to 'FRENCH'. The 'Name' is 'French Supplies Ltd.' and the 'Address' is '10 High Road, Some Town, ST1 5HG'. The 'Country' is 'United Kingdom' and the 'Nation' is 'England'. The 'Currency' is 'GBP (Pound)'. The 'Registered for Sales Tax or VAT?' checkbox is checked and circled in red. The 'Additional program modules required' section includes 'Payroll (United Kingdom)', 'AutoManager', and 'Sales Prospecting and Sales Order Processing'. The 'Help' button in the sidebar is highlighted with a red arrow.

The option to select VAT registration has been ringed in red in the above image, to make it easy to locate. Note: **If you are in Northern Ireland**, it is VERY important to set 'Nation' to Northern Ireland. As you may need to use EC Sales List and Intrastat, and those options are not available in the rest of the UK.

If you forget to do this, you can get back to this window. In the start up window, single click on your company/organisation, then click the 'Comp./Org. Details' button. Nearly all details in this window can be edited, including the option to select VAT registration (or un-select it if you are deregistering from VAT).

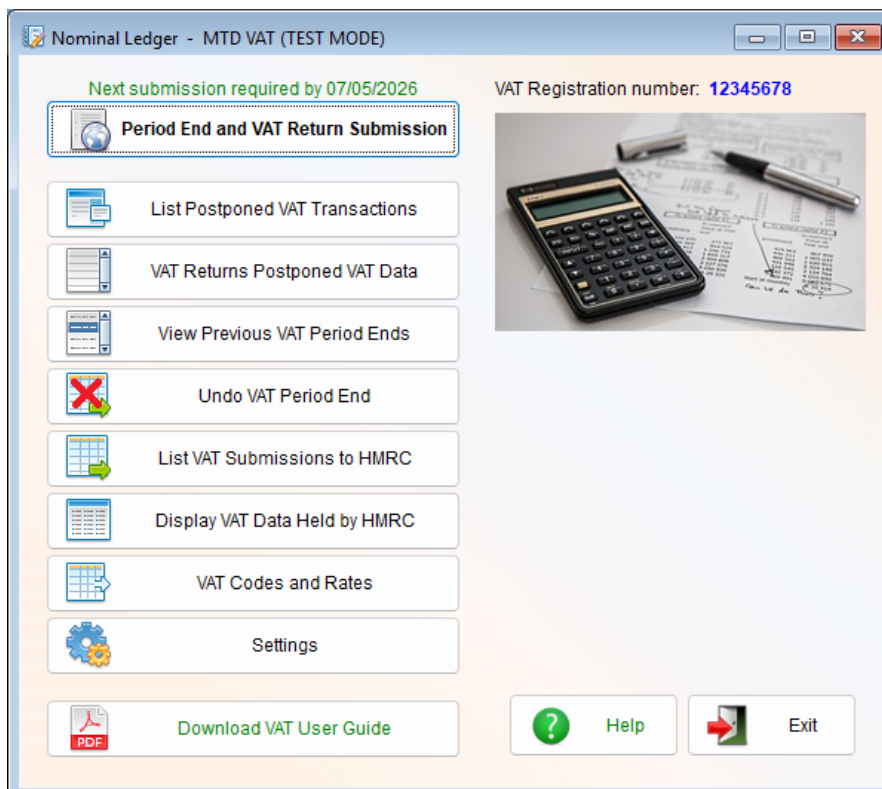
The other location where you can select VAT registration is in the Nominal Ledger Settings option. Select your company/organisation, then on the top menu bar select 'Setup', go down to Nominal Ledger and select 'Settings'. The window will look similar to the following image:

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You can see the input field ‘**Enable accounts system for VAT**’ in the above window image. As in the Comp./Org. Details option, you can also set it to ‘**No**’ if deregistering for VAT. Though in this window you can also enter your VAT registration number (there are several other locations where you can do this).

Once the software knows your company/organisation is VAT registered, there will be an option ‘**MTD VAT Menu**’ available in the Nomina Ledger menu. From this menu, you can do pretty much everything you need to do to set up and maintain VAT (note: if you are in Northern Ireland, it does not contain options for EC Sales List or Intrastat, they are in the respect S/L and P/L menus):



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The menu will always show the date that the next VAT Return is required to be submitted by. Note in the above image, the date is green. This means there is time to submit the VAT Return. If the VAT Return is late, it will be coloured red. In v4.299 onwards, it will turn amber if there is less than 14 days left to submit the VAT Return.

Most options in this menu will only be used occasionally, if ever in the case of some.

‘Period End and VAT Return Submission’ is the main option, and the one you will use at the end of every VAT quarter (or year if on the Annual Accounting scheme). This option allows you to enter any adjustments, including any Postponed VAT. Produce a detailed report that shows exactly where all the VAT period end figures are coming from. Run the VAT period end itself, and finally submit your VAT Return to HMRC.

‘List Postponed VAT Transactions’ lists all invoices, debit notes and credit notes that have a Postponed VAT amount. They are listed in VAT Return date order. If the transaction has not been processed for a VAT Return, the 'VATReturn' field in the list will be empty (and the transaction will appear at or near the top of the list). The idea of this option is to help you balance the Postponed VAT figures you have reported in your VAT Return against the figures as shown in the Postponed VAT report you can download from HMRC.

‘VAT Returns Postponed VAT Data’ lists each VAT Return successfully submitted to HMRC along with the total amount of postponed VAT (from transactions), adjustments made, and total postponed VAT. Any associated documents can be viewed from here, as well as details of the actual VAT Return.

‘View Previous VAT Period Ends’ does exactly that. It can also reproduce the detailed VAT report that is available in the VAT period end option. Also, and this is often most useful, if for any reason you could not submit your VAT Return while doing the VAT period end, you can submit it from here, at any time (be aware, HMRC do operate a penalty system for the late submission of VAT Returns).

‘Undo VAT Period End’ is actually of limited value here in the United Kingdom. This is because it will only allow you to undo a VAT period (i.e. reverse the VAT period end processing done in the option **‘Period End and VAT Return Submission’**) if you have NOT submitted a VAT Return. Unfortunately, HMRC’s system does not allow us to re-submit a VAT Return.

‘List VAT Submissions to HMRC’ lists all VAT related submissions. This allows you to see exactly when you made a submission. It also includes submissions that were made when the system is in TEST mode (more about this later), and any submissions that failed.

‘Display VAT Data Held by HMRC’ will display a list of VAT Returns successfully submitted to HMRC, any VAT periods for which a VAT Return has not been submitted (usually this is just the next period, these are called “Open” returns, and are created by HMRC). It will also list any payments to HMRC or refunds from them.

‘VAT Codes and Rates’ allows you to edit the rate and/or description of a VAT code. There can, in theory, be up to 100 VAT codes. When you install the software, around half a dozen or so are set up for you. But they will need to be edited if any VAT rates change, or if you arrange with HMRC to sue their Flat Rate system (you will need to create a VAT code to handle the purchase of capital items).

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'Settings' is obvious. This includes your VAT registration number, any VAT scheme you may be on (it defaults to the regular system of VAT), VAT period date, etc.

'Download VAT User Guide' will display the most up to date version of this user guide in your default web browser. You will be able to save it as PDF file if you wish.

Like the main menus off the top menu bar, a thumbnail image will appear for each option as you move the mouse cursor over it.

SET UP - ENGLAND, WALES, SCOTLAND

When the software is installed, if you're in the United Kingdom it should already be setup for VAT. Regardless of this, it is VITAL you check the VAT settings before considering entering your first transactions. You can do this from the 'Getting Started' window that appears when you first install the software, or you can click on 'Nominal Ledger' on the top menu bar, go down to 'MTD VAT Menu', and select 'VAT Codes and Rates'. The window that appears will be similar to below:

Setup - Value Added Tax Codes and Rates

Tax Setup Tax Table

VAT Registration Number

General Tax Description & Accounting Method

Short (6 chars)

Long (30 chars)

S/L Acnt. Method

P/L Acnt. Method

Set up your basic Sales Tax/VAT details here. The 'Short' and 'Long' descriptions to the left are for general use. When ever Sales Tax or VAT is mentioned, it will use one of those descriptions (which one depends on available space).

You can also specify the accounting method used for calculating tax due to the tax authorities.

Description of Tax Types

	6 Chars	30 Characters	Tax Calculated on (always calculated on subtotal)
Tax 1	VAT	Value Added Tax	Subtotal
Tax 2			Subtotal
Tax 3			Subtotal
Tax 4			Subtotal

Use this section to define what types of taxes you need to charge on sales. Many people will require just one, particularly those using VAT. But some countries will require several, perhaps a federal tax, county tax, and city tax, for example.

Here you just give each tax type a description, and indicate how it is calculated. When there are multiple tax types, some are on the subtotal, but sometimes tax is calculated on subtotal plus tax.

The actual tax rates are set up in the tax table. Up to 100 tax codes can be created in the tax table, each one can have up to four tax rates, corresponding to the tax types defined above.

[Click to download a PDF guide to setting up Sales Tax/VAT](#)

Help Close OK

In the top left hand corner, you can see the input field 'VAT Registration Number'. If you entered a VAT registration number when the company/organisation was created, it will be in this input field. You can edit it if necessary. If the input field is empty, you need to enter your VAT registration number. If you need to submit your VAT returns directly to HMRC (which became law from April 2021), you will only be able to do so if this input field contains a valid VAT registration number.

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Below the 'VAT Registration Number' input field, is the '**General Tax Description & Accounting Method**' section. In there you can enter the text that best describes your VAT overall. There are two input fields, one which is a maximum of 6 characters for a very short description, and the second input field is 30 characters, that allows for a fuller description. The default values are shown in the above image, and for most users they will suffice. The option is really there for the benefit of users in other countries.

Beneath the first two input fields are two more input fields: '**S/L Acnt. Method**' and '**P/L Acnt. Method**'. As in 'Sales Ledger' and 'Purchase Ledger'. These are the accounting methods used for accounting for the VAT. There are two methods to pick from: '**Standard**' which means the VAT is due on Invoices, whether those invoices have actually been paid or not. The other method is '**Cash Accounting**', which means the VAT is NOT due on invoices until they're actually paid (but there are exceptions). The Nominal Ledger menu contains a 'Value Added Tax Period End' report and processing option (more of this later), which will take into account the accounting method you have selected. In the UK you have to use the same accounting method for both ledgers. Note, if you select '**Cash Accounting**', any transactions with VAT entered directly into the Nominal Ledger will *always* be treated as paid for VAT purposes, regardless of whether the transaction includes a posting to a creditors/debtors account or a cash account. Also, selecting '**Cash Accounting**' only applies to the way VAT due is reported, it does not turn the accounts system itself into a cash accounting system. Adminsoft Accounts always works on an accrual basis.

Next, we have the section titled '**Description of Tax Types**'. This allows you to set up to four different types of sales tax/VAT. In the United Kingdom they are not required, and so all but the top line will be greyed out.

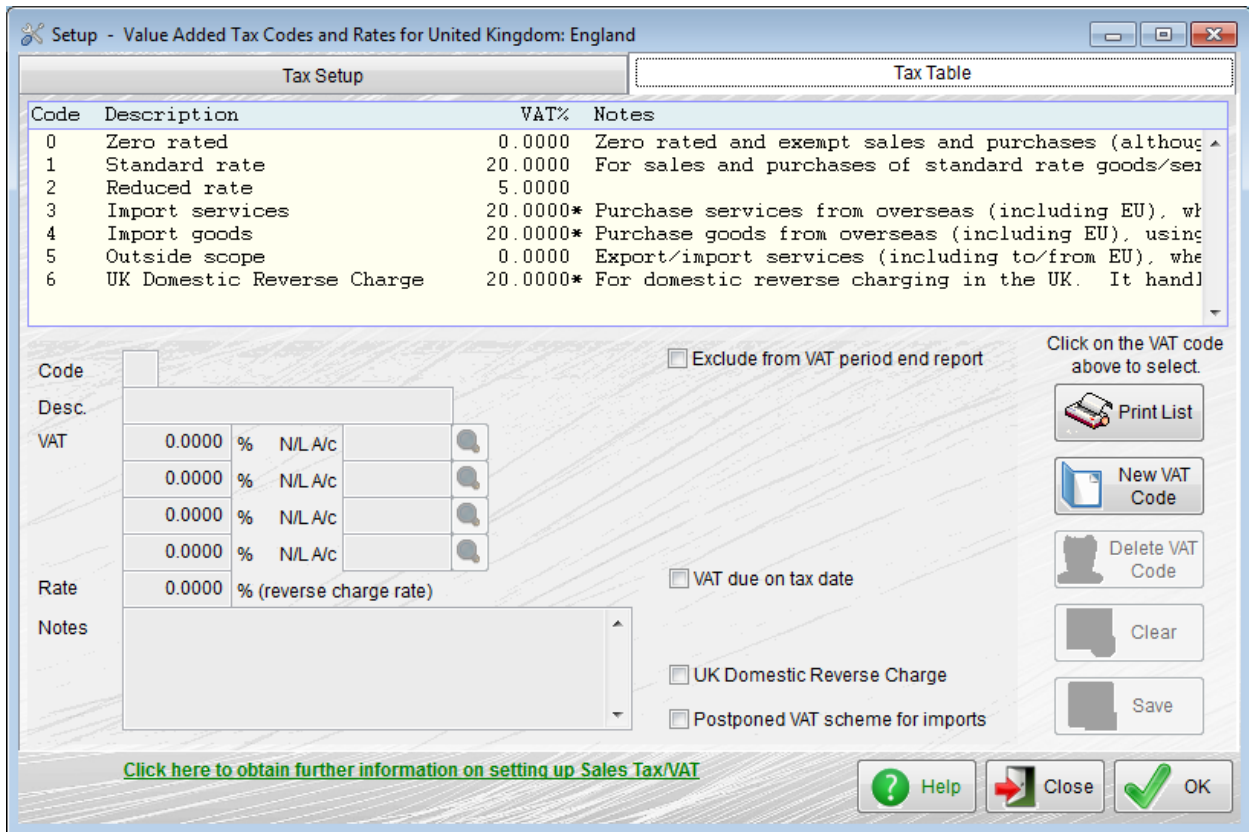
Note, there are no sales tax/VAT rates entered here. This is just to setup the different *types* of tax you may use. You'll notice the column '**Tax Calculated on**', this allows you to specify how the tax is calculated. Again, in the UK we can ignore this.

Once you're happy with this section we can go on to setup the VAT codes and rates, and how they're applied. Note, nothing you enter here is 'set in stone'. It can be changed at any time.

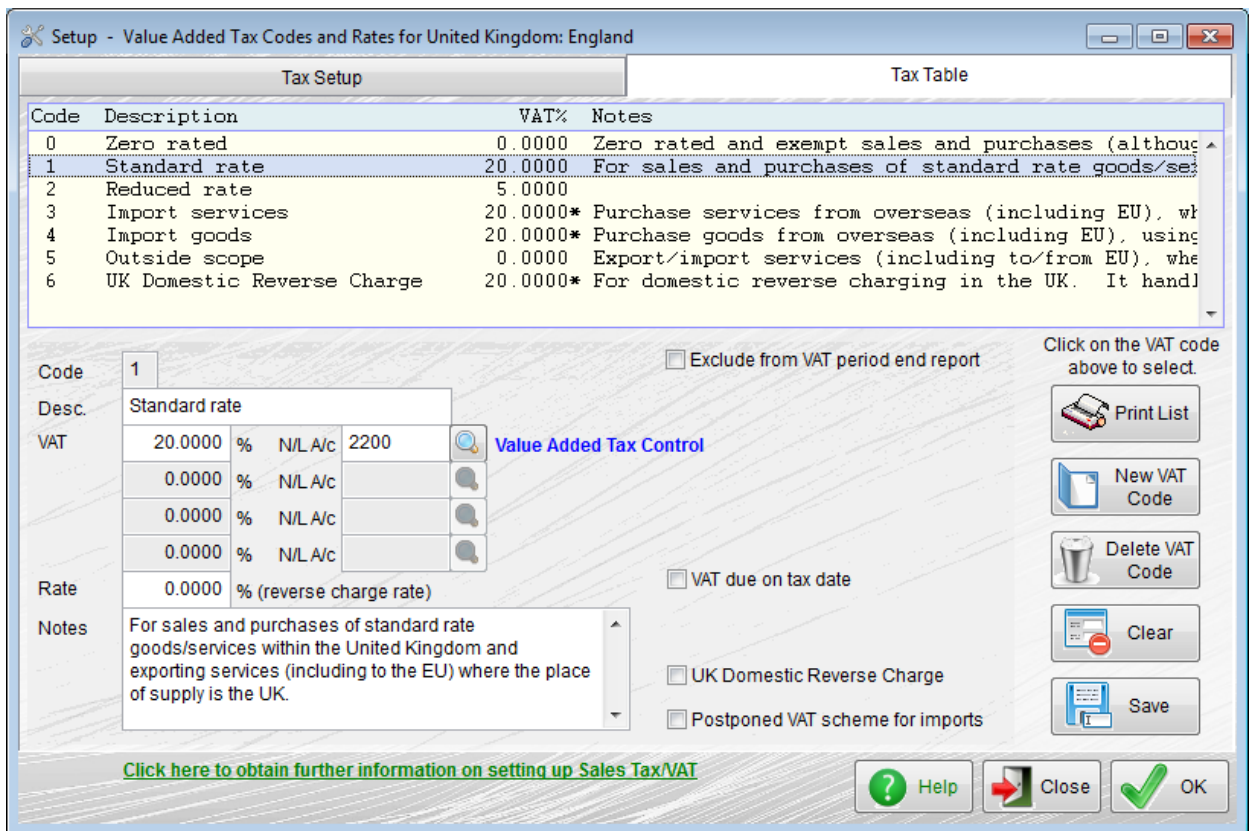
Click on the '**Tax Table**' tab at the top of the window. This will display a list of VAT codes already setup. In our example below, for England, Scotland and Wales there are seven. You can setup up a maximum of 100 VAT codes (0 to 99), but that would be very unusual! Normally you wouldn't need more than 10, even if you have some special requirements. Each VAT code can be set up to use a different tax rate, and to process that tax a little differently. By 'process' we mean how the value of the transaction, and any VAT associated with it appears in your VAT Return (what used to be called form VAT 100).

In the next screen shot, where you see a VAT code that has an asterisk (*) to the right hand side of the VAT rate, it means the code is setup to apply a reverse charge, and the tax rate shown is the reverse charge rate.

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When you select a VAT code, the details will appear in the lower section of the window:



In the image above, we've selected VAT code 1. In the UK, this is the VAT code you'll probably use most of the time for sales and purchases. It applies a straight 20% VAT to the total of the invoice or credit note (the standard rate of VAT as of Aug.'23). The input field 'Code' is greyed out because

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it's not possible to change the actual code itself (everything else can be changed). If you wish, you can delete it by clicking the '**Delete VAT Code**' button. But we strongly advise you not to delete a VAT code that has been used. There are reports available in both Sales and Purchase Ledgers you can run to check for use of a particular VAT code. The delete button here will not check, it will just do exactly as you ask!

As you can see, '**VAT**' is set to 20%. It's actually set to 20.0000%, as there are four decimal places. It's very unlikely that many decimal places will be required. Though in some countries the tax rate can go to three decimal places. To the righthand side of the VAT rate is '**N/L A/c**'. This input field allows you to select which Nominal Ledger account will hold the VAT liability. The default is a/c 2200. The three rows of input fields below this are greyed out because they're not required here. If more than one tax type was set up (in the '**Tax Setup**' tab), they would appear here. Each one would have its own rate, and its own N/L liability account (or, they could all use the same account if required).

'Exclude from VAT period end report'. Selecting this means any goods/services and any tax associated with them that have used the selected VAT code will NOT appear in the VAT Return, and will not be processed as part of the period end. This is mainly provided for the benefit of other countries. **Generally it should not be used in the United Kingdom.** At the time of writing (Aug.'23) all sales and purchases must be reported in the VAT return, whether there is a VAT element or not. This includes transactions that are outside of scope for VAT purposes. Transactions such as dividend payments, bank interest, tax payments, etc. should not appear in the VAT return, but then they will not usually be entered into the Sales or Purchase Ledger. They'll be entered directly into the Nominal Ledger (and with no VAT code).

VAT due on tax date will only be visible if you are using the VAT Cash Accounting Scheme. When a transaction using a VAT code with this option is processed in your VAT period end, any VAT will be treated as due on the tax date of the transaction. In other words, the Cash Accounting Scheme will not apply to the sale or purchase of any goods or services using a VAT code with this option selected. This is for any transactions that cannot be included in the VAT Cash Accounting Scheme, such as lease agreements, imports, etc.

Reverse Charge

Near the bottom of the details is an input field '**Rate**' used for entering a Reverse Charge rate. By default, in the United Kingdom VAT codes 3 and 4 (and 6 in England, Scotland and Wales) are often setup with a reverse charge of 20%. A reverse charge is a fictitious VAT charge, in that no VAT amount is actually charged or paid. It's simply a number exercise. When used for a purchase, no VAT will appear on the purchase invoice, but it is calculated and entered into various boxes of the VAT return (which boxes depend on what type of reverse charge is being applied), it is then subsequently deducted, and so has no bearing on the actual amount of VAT you owe. It is an entirely fictitious amount, why it exists I have absolutely no idea! But HMRC seem quite keen that it be used.

If a figure is entered into the '**Rate**' input field, the '**VAT**' and '**N/L A/c**.' input fields will be greyed out, as they're no longer needed. In England, Scotland and Wales you will need to specify what type of reverse charge it is. It needs to be one of the following options:

'UK Domestic Reverse Charge'. The UK Domestic Reverse Charge is applied to both sales and purchases of certain products within the UK. Where VAT is not charged on the sale, but is instead accounted for in the purchase. When selling goods subject to the UK Domestic Reverse charge, no

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VAT will be applied to the invoice, but a message will be printed on the invoice “Reverse charge: VAT Act 1994 Section 55A applies. Apply VAT at 20%”, this is a legal requirement. The message will be setup for you, but you can edit it (Setup → Sales Ledger → Settings, select the tab 'Miscellaneous 2'). Should the law or the VAT rate change, you will need to edit this message, as it will not be updated automatically.

'Postponed VAT scheme for imports', is used for importing goods from outside of the UK, including from the EU. In terms of the VAT Return they're handled the same way as the UK Domestic Reverse Charge, in that they put figures into boxes 1, 4 and 7.

Note, none of the reverse charges have any effect on the Nominal Ledger. No postings are made for a reverse charge. **Also, do not enter any transactions directly into the Nominal Ledger that require a reverse charge, as the N/L is not designed to handle it. Any transactions that involve import/export should go through the Purchase and Sales Ledgers ONLY.**

If you are using the Flat Rate Scheme, below the '**Exclude from VAT period end report**' tick box will be another tick box '**Capital item under Flat Rate Scheme**' (not visible in the images a couple of pages back). Some capital purchases may not be subject to the Flat Rate Scheme, and so any VAT can be recovered in full. To indicate to the accounts system that an item should be treated as a Capital Item and exempt from the flat rate scheme, you need to set up another VAT code, specifically for these items. When you're creating this new code, click the '**Capital item under Flat Rate Scheme**' tick box.

The following tables may help you understand the way VAT should be handled when exporting/importing. **There are no guarantees whatsoever that this is correct**, but it's my understanding of how it works:

SALES

Your Customer is:	VAT Registered	VAT Registered	VAT Registered	Not VAT Registered	Not VAT Registered
Type of supply:	Goods	Services EU	Services UK	Goods	Services
VAT Code	0	5	1	0	0
VAT100 Box 1	No	No	Yes	No	No
VAT100 Box 6	Yes	Yes	Yes	Yes	Yes

PURCHASES

Your Supplier is:	VAT Registered	VAT Registered	VAT Registered	Not VAT Registered	Not VAT Registered
Type of supply:	Goods	Services EU	Services UK	Goods	Services
VAT Code	4	5	3	4	0
VAT100 Box 1	Yes	No	Yes	Yes	No
VAT100 Box 2	No	No	No	No	No
VAT100 Box 4	Yes	No	Yes	Yes	No
VAT100 Box 6	No	No	Yes	No	No
VAT100 Box 7	Yes	Yes	Yes	Yes	Yes

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In 'Purchases' the first column describes the import of goods from anywhere outside of the UK. This assumes the Postponed VAT Scheme is being used. It's usually beneficial to operate this scheme, as no VAT is usually paid. If the scheme is not operated, then the importer will require payment of VAT on imported goods, which you then have to claim back from HMRC via the VAT100 submission. Which can impact your cash flow. Note: The Postponed VAT Scheme can only be used on goods that exceed £135 (as of Aug.'22).

Where "Services EU" means the service was supplied in the EU, and "Services UK" means the service was supplied in the UK.

When selling digital services to consumers in the EU (a 'consumer' in this sense is any person or entity that is not VAT registered), things are a little different. The VAT rate that applies is based on the country of the customer. You will charge VAT at that rate, and then file the figures via a VAT MOSS submission. Adminsoft Accounts does not handle the VAT on digital services automatically. We recommend that you set up a VAT code specifically for digital services, you will probably require one code for each country that you sell to. When using MTD VAT returns, you will then need to use the spreadsheet option, so the VAT amounts charged using these codes can be removed from your VAT Return.

Due to the considerable complexity of VAT, I cannot guarantee the above table is correct, and there are some exceptions to the general rules. So, if you're involved in import/export, it's vital you check with HMRC to make sure you're handling VAT correctly. There's a lot more to it than the fairly basic information I've provided here.

When you have finished editing a VAT code, click the '**Save**' button. If you do not wish to save any changes, or you just wanted to view the details and you're now done, click the '**Clear**' button. This button doesn't delete anything, it just clears the VAT code details from the editing section of the window (although any changes you made will not be saved)

SETUP – NORTHERN IRELAND

Value Added Tax is one of those tax systems that should be fairly straight forward and simple to operate. Unfortunately, in most countries, and certainly within the European Union and the United Kingdom, it's anything but. Over the years it's become increasingly complicated (and in my humble opinion considerably over-complicated).

Setting up VAT Rates

When the software is installed, if you're in the United Kingdom it should already be setup for VAT. Regardless of this, it is VITAL you check the VAT settings before considering entering your first transactions. You can do this from the 'Getting Started' window that appears when you first install the software, or you can click on 'Nominal Ledger' on the top menu bar, go down to 'MTD VAT Menu', and select 'VAT Codes and Rates'. The window that appears will be similar to below:

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Setup - Value Added Tax Codes and Rates

Tax Setup Tax Table

VAT Registration Number

General Tax Description & Accounting Method

Short (6 chars) VAT

Long (30 chars) Value Added Tax

S/L Acnt. Method Standard

P/L Acnt. Method Standard

Set up your basic Sales Tax/VAT details here. The 'Short' and 'Long' descriptions to the left are for general use. When ever Sales Tax or VAT is mentioned, it will use one of those descriptions (which one depends on available space).

You can also specify the accounting method used for calculating tax due to the tax authorities.

Description of Tax Types

	6 Chars	30 Characters	Tax Calculated on (always calculated on subtotal)
Tax 1	VAT	Value Added Tax	Subtotal
Tax 2			Subtotal
Tax 3			Subtotal
Tax 4			Subtotal

Use this section to define what types of taxes you need to charge on sales. Many people will require just one, particularly those using VAT. But some countries will require several, perhaps a federal tax, county tax, and city tax, for example.

Here you just give each tax type a description, and indicate how it is calculated. When there are multiple tax types, some are on the subtotal, but sometimes tax is calculated on subtotal plus tax.

The actual tax rates are set up in the tax table. Up to 100 tax codes can be created in the tax table, each one can have up to four tax rates, corresponding to the tax types defined above.

[Click to download a PDF guide to setting up Sales Tax/VAT](#)

Help Close OK

In the top left hand corner, you can see the input field '**VAT Registration Number**'. If you entered a VAT registration number when the company/organisation was created, it will be in this input field. You can edit it if necessary. If the input field is empty, you need to enter your VAT registration number. If you need to submit your VAT returns directly to HMRC (which is law from April 2021), you will only be able to do so if this input field contains a valid VAT registration number.

Below the '**VAT Registration Number**' input field, is the '**General Tax Description & Accounting Method**' section. In there you can enter the text that best describes your VAT overall. There are two input fields, one which is a maximum of 6 characters for a very short description, and the second input field is 30 characters, that allows for a fuller description. The default values are shown in the above image, and for most users they will suffice. The option is really there for the benefit of users in other countries.

Beneath the first two input fields are two more input fields: '**S/L Acnt. Method**' and '**P/L Acnt. Method**'. As in 'Sales Ledger' and 'Purchase Ledger'. These are the accounting methods used for accounting for the tax. There are two methods to pick from: '**Standard**' which means the tax is due on Invoices, whether those invoices have actually been paid or not. The other method is '**Cash Accounting**', which means the tax is NOT due on invoices until they're actually paid. The Nominal Ledger menu contains a 'Value Added Tax Period End' report and processing option (more of this later), which will take into account the accounting method you have selected. In the UK you have to use the same accounting method for both ledgers. Note, if you select '**Cash Accounting**', any transactions with VAT entered directly into the Nominal Ledger will *always* be treated as paid for VAT purposes, regardless of whether they're posted to a creditors/debtors account or a cash account. Also, selecting '**Cash Accounting**' only applies to the way VAT due is reported, it does not turn the accounts system itself into a cash accounting system. Adminsoft Accounts always works on an accrual basis.

Next, we have the section titled '**Description of Tax Types**'. This allows you to set up to four

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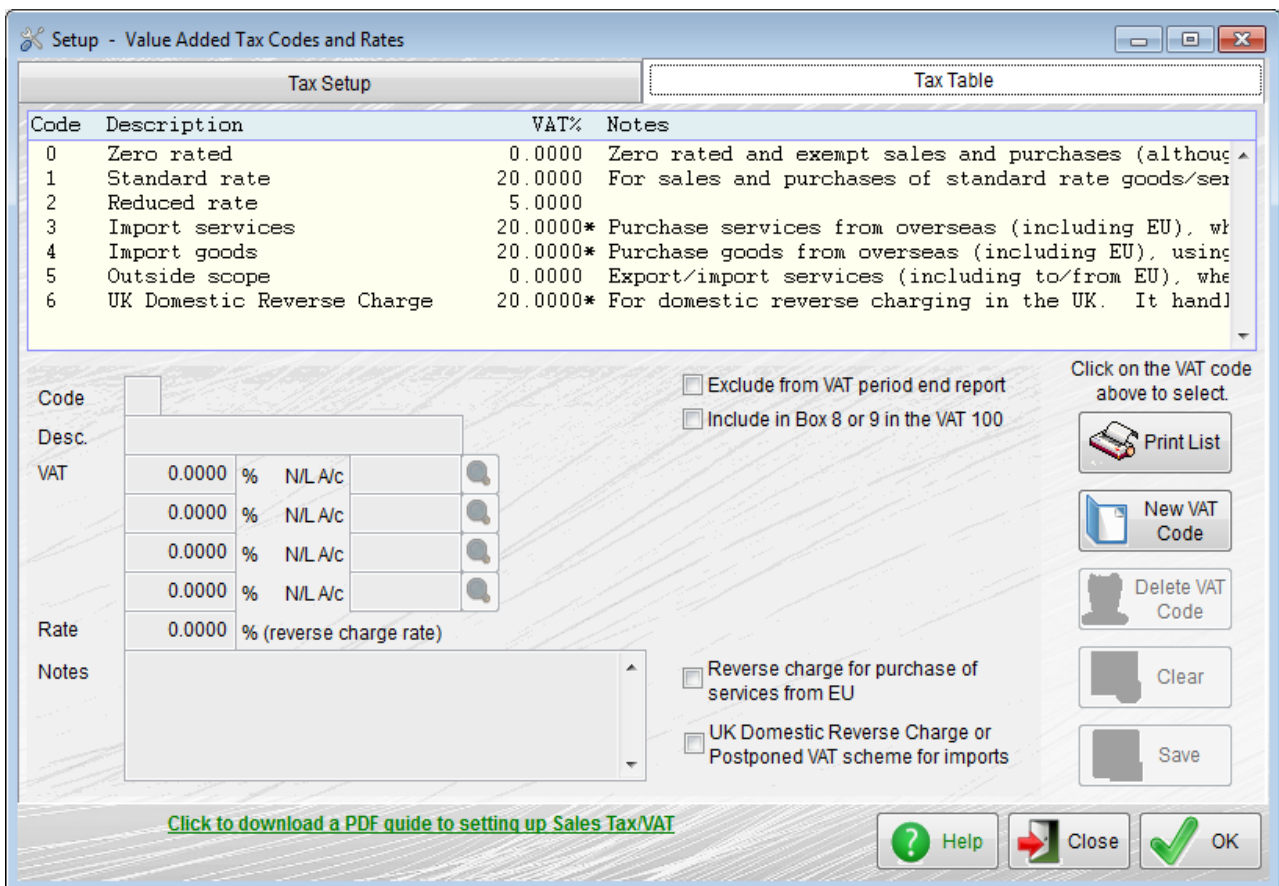
different types of tax. In the United Kingdom they are not required, and so all but the top line will be greyed out.

Note, there are no tax rates entered here. This is just to setup the different *types* of tax you may use. You'll notice the column '**Tax Calculated on**', this allows you to specify how the tax is calculated. Again, in the UK we can ignore this.

Once you're happy with this section we can go on to setup the tax codes and rates, and how they're applied. Note, nothing you enter here is 'set in stone'. It can be changed at any time.

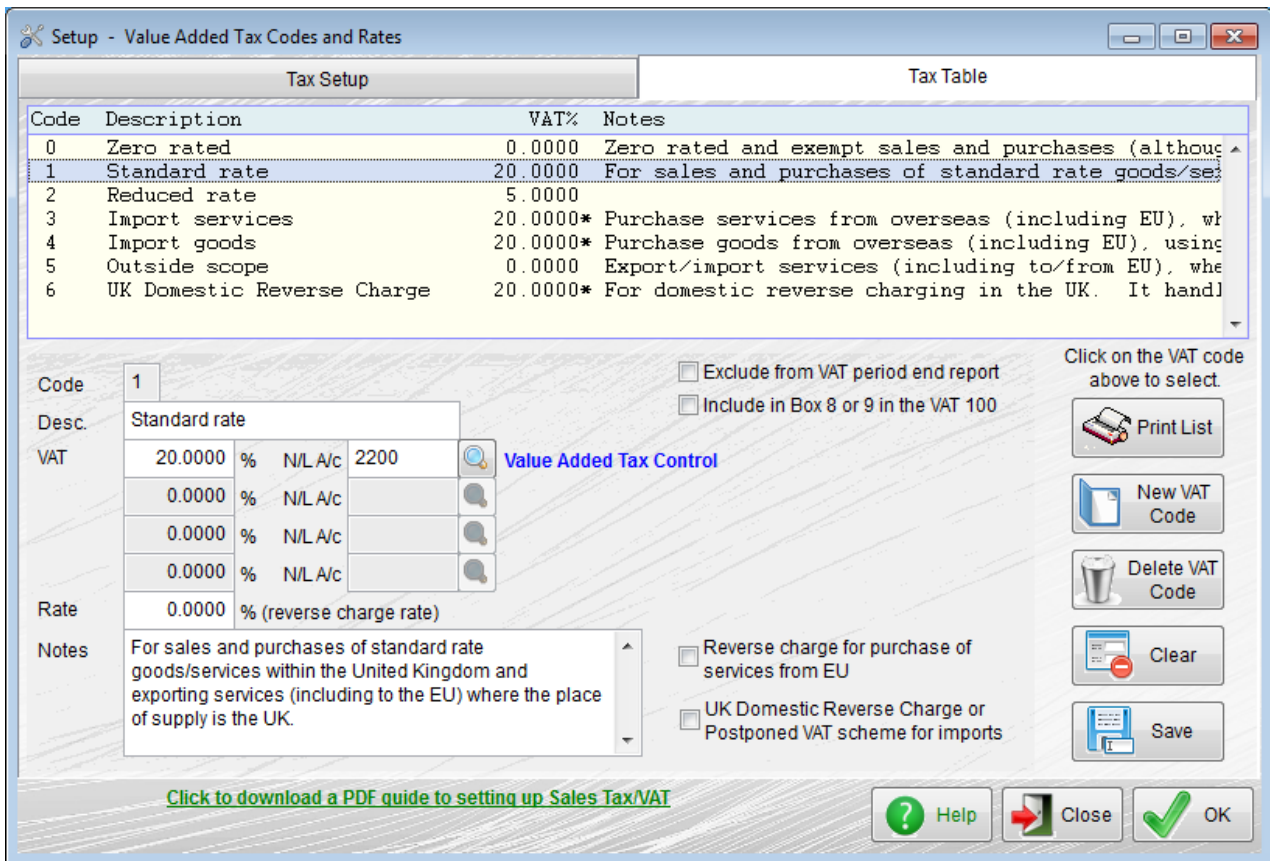
Click on the '**Tax Table**' tab at the top of the window. This will display a list of tax rates already setup. In our example below, for England, Scotland and Wales there are seven. You can setup up a maximum of 100 tax codes (0 to 99), but that would be very unusual! Normally you wouldn't need more than 10, even if you have some special requirements. Each tax code can be set up to use a different tax rate, and to process that tax a little differently. By 'process' we mean how the value of the transaction, and any VAT associated with it appears in your VAT return (what used to be called form VAT 100).

In the next screen shot, where you see a VAT code that has an asterisk (*) to the right hand side of the VAT rate, it means the code is setup to apply a reverse charge, and the rate shown is the reverse charge rate.



When you select a VAT code, the details will appear in the lower section of the window, see the next screen image:

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In the image above, we've selected VAT code 1. In the UK, this is the VAT code you'll probably use most of the time for sales and purchases. It applies a straight 20% VAT to the total of the invoice or credit note. The input field 'Code' is greyed out because it's not possible to change the actual code itself (everything else can be changed). If you wish, you can delete it by clicking the 'Delete VAT Code' button. But we strongly advise you not to delete a VAT code that has been used. There are reports available in both Sales and Purchase Ledgers you can run to check for use of a particular VAT code. The delete button here will not check, it will just do exactly as you ask!

As you can see, 'VAT' is set to 20%. It's actually set to 20.0000%, as there are four decimal places. It's very unlikely that many decimal places will be required. Though in some countries the tax rate can go to three decimal places. To the righthand side of the VAT rate is 'N/L A/c'. This input field allows you to select which Nominal Ledger account will hold the VAT liability. The default is a/c 2200. The three rows of input fields below this are greyed out because they're not required here. If more than one tax type was set up (in the 'Tax Setup' tab), they would appear here. Each one would have its own rate, and its own N/L liability account (or, they could all use the same account if required).

'Exclude from VAT period end report'. Selecting this means any goods/services and any tax associated with them that have used the selected VAT code will NOT appear in the VAT period end report, and will not be processed as part of the period end. This is mainly provided for the benefit of other countries. **It should not be used in the United Kingdom.** At the time of writing (Feb.'21) all sales and purchases must be reported in the VAT return, whether there is a VAT element or not. This includes transactions that are outside of scope for VAT purposes. Transactions such as dividend payments, tax payments, etc. should not appear in the VAT return, then they will not be entered into the Sales or Purchase Ledger. They'll be entered directly into the Nominal Ledger, with no VAT code.

'Include in Box 8 or 9 in the VAT 100', this option is only visible when running in the United

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Kingdom. Since 1st Jan.'21 in England, Scotland and Wales this option should not be selected, as these boxes are no longer used on the VAT Return (it continues to be used in Northern Ireland).

VAT due on tax date will only be visible if you are using the VAT Cash Accounting Scheme (it's not visible in the example image). When a transaction using a VAT code with this option is processed in your VAT period end, any VAT will be treated as due on the tax date of the transaction. In other words, the Cash Accounting Scheme will not apply to the sale or purchase of any items using a VAT code with this option selected. This is for any transactions that cannot be included in the VAT Cash Accounting Scheme, such as lease agreements, imports, etc.

Reverse Charge

Near the bottom of the details is an input field '**Rate**' used for entering a Reverse Charge rate. By default, in the United Kingdom VAT codes 3 and 4 (and 6 in England, Scotland and Wales) are often setup with a reverse charge of 20%. A reverse charge is a fictitious VAT charge, in that no VAT amount is actually charged or paid. It's simply a number exercise. When used for a purchase, no VAT will appear on the purchase invoice, but it is calculated and entered into various boxes of the VAT return (which boxes depend on what type of reverse charge is being applied), it is then subsequently deducted, and so has no bearing on the actual amount of VAT you owe. It is an entirely fictitious amount, why it exists I have absolutely no idea! But HMRC seem quite keen that it be used.

If a figure is entered into the '**Rate**' input field, the '**VAT**' and '**N/L A/c.**' input fields will be greyed out, as they're no longer needed. In England, Scotland and Wales you will need to specify what type of reverse charge it is. It needs to be one of the following options:

'Reverse charge for purchase of services from the EU'. This does exactly as it says. In the VAT Return it puts figures into boxes 1, 4, 6 and 7. It works as if you are selling the services to yourself! Hence the use of boxes 6 *and* 7. This is for the purchase of services from the EU and any country outside of the UK that are provided to you in the UK.

'UK Domestic Reverse Charge or Postponed VAT scheme for imports'. The UK Domestic Reverse Charge is applied to sales and purchases within the UK of certain products. Where VAT is not charged on the sale, but is instead accounted for in the purchase. When selling goods subject to the UK Domestic Reverse charge, no VAT will be applied to the invoice, but a message will be printed on the invoice "Reverse charge: VAT Act 1994 Section 55A applies. Apply VAT at 20%", this is a legal requirement. The message will be setup for you, but you can edit it (Setup → Sales Ledger → Settings, select the tab 'Miscellaneous 2'). Should the law or the VAT rate change, you will need to edit this message, as it will not be update automatically.

The Postponed VAT scheme for imports (PVA), is used for importing goods from outside of the UK, including from the EU. These two options are together because in terms of the VAT Return they're handled the same way. They put figures into boxes 1, 4 and 7.

Note, none of the reverse charges have any effect on the Nominal Ledger. No postings are made for a reverse charge. **Also, do not enter any transactions directly into the Nominal Ledger that require a reverse charge, as the N/L is not designed to handle it. Any transactions that involve import/export should go through the Purchase or Sales Ledgers only.**

If you are using the Flat Rate Scheme, below the '**Include in Box 8 or 9 in the VAT 100**' tick box will be another tick box '**Capital item under Flat Rate Scheme**'. Some capital purchases may not

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be subject to the Flat Rate Scheme, and so any VAT can be recovered in full. To indicate to the accounts system that an item should be treated as a Capital Item and exempt from the flat rate, you need to set up another VAT code, specifically for these items. When you're creating this code, click the '**Capital item under Flat Rate Scheme**' tick box.

The following tables may help you understand the way VAT should be handled when exporting/importing. This information is offered with no guarantees whatsoever that it is correct:

SALES

Customer is:	VAT Registered	VAT Registered	Not VAT Registered	Not VAT Registered
Type of supply:	Goods	Services	Goods	Services
VAT Code	4	0	1	1
VAT 100 Box 6	Yes	Yes	Yes	Yes
VAT 100 Box 8	Yes	No	No	No
EC Sales List	Yes	Yes	No	No

PURCHASES

Supplier is:	VAT Registered	VAT Registered	Not VAT Registered	Not VAT Registered
Type of supply:	Goods	Services	Goods	Services
VAT Code	4	3	0	0
VAT 100 Box 1	No	Yes	No	No
VAT 100 Box 2	Yes	No	No	No
VAT 100 Box 4	Yes	Yes	No	No
VAT 100 Box 6	No	Yes	No	No
VAT 100 Box 7	Yes	Yes	Yes	Yes
VAT 100 Box 9	Yes	No	No	No

If you're involved in import/export, it's vital you check with HMRC to make sure you're handling VAT correctly.

When selling digital services to consumers in the EU (a 'consumer' in this sense is any person or entity that is not VAT registered), things are a little different. The VAT rate that applies is based on the country of the customer. You will charge VAT at that rate, and then file the figures via a VAT MOSS submission. Adminsoft Accounts does not handle the VAT on digital services automatically. We recommend that you set up a VAT code specifically for digital services, you will probably require one code for each country that you sell to. When using MTD VAT returns, you will then need to use the spreadsheet option, so these VAT amounts charged can be removed from your VAT Return.

When you have finished editing a VAT code, click the '**Save**' button. If you do not wish to save any

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changes, or you just wanted to view the details and you're now done, click the 'Clear' button. This button doesn't delete anything, it just clears the VAT code details from the editing section of the window (although any changes you made will not be saved)

From this point, the guide relates to all countries within the United Kingdom

Entering Sales and Purchase Invoices

When you enter a Sales or Purchase Invoice, you can enter a VAT code on each line (in fact you have to). The invoice will total automatically, and automatically calculate the tax due. This applies to both Sales Invoices and Purchase Invoices. As these invoices are so similar when it comes to VAT, we will discuss them in this one section.

The example below is a Sales Invoice, with just one line entered, which is using sales tax code 1. This is based on the rates as setup in our example from the United Kingdom above:

Line	Quantity	Stock Code or Description of Item/Service (sort by Stock Desc)	S/A	VAT	Each	Amount	Line
1	1.00	F Some item I've just sold	LABOUR	1	100.000	100.00	Ins Del
2	F						Ins Del
3	F						Ins Del
4	F						Ins Del
5	F						Ins Del
6	F						Ins Del
7	F						Ins Del
8	F						Ins Del
9	F						Ins Del
10	F						Ins Del
11	F						Ins Del
12	F						Ins Del

Disc 0.00%	0.00	Disc
Sub Total	100.00	Tax Calc
Total VAT	20.00	
Total Value	120.00	

The item is being sold for 100.00 You can see the 'Sub Total' of 100.00 and beneath that the 'Total VAT' has been automatically calculated as 20.00 (VAT code 1 being setup for 20%), giving is a 'Total Value' of 120.00

To the right of the 'Sub Total' amount is a button 'Tax Calc'. Clicking this displays a simple

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calculator designed to allow you to perform some 'what if' VAT calculations. This is what it looks like:

Value Added Tax Calculator

Amount 0.00 (excluding tax)

VAT Code

VAT Amount 0.00 %

Total 0.00 (including tax)

Enter the tax code and either the amount excluding tax, or the total amount including tax, and then press the Tab or Enter key on your keyboard.

OK

You can enter the amount and tax code and it'll work out the VAT amount, or enter the VAT code and the total amount and it'll work out the exclusive VAT amount and the VAT. It can't insert these values into your invoice, it's simply a calculator. It can be useful if you've quoted a price including VAT, and you need to work out the VAT exclusive amount to raise the Sales Invoice.

Getting back to the invoice itself, it may be that the VAT amount as calculated is not what you need, perhaps you require a slightly different value. This only tends to happen with Sales Invoices if the invoice has already been raised elsewhere, and you're simply entering it into the account system. It often happens with Purchase Invoices, because although there are strict rules for calculating VAT (which often differ from country to country), they are not always followed! And so sometimes a Purchase Invoice may show a slightly different amount of VAT to that calculated in Adminsoft Accounts. To change the amount of VAT that has been calculated, click on the **'Details'** tab at the top of the invoice window. You'll see a section in the lower right called **'Tax Details'**, in there you'll be able to edit the amount of tax. We've highlighted this in the screen image below:

Sales Ledger - Invoice

Customer Account MISC Find Miscellaneous cash sales account INVOICE New

Text - Quantity & Prices Details Costs

Delivery Date 31/08/2016 Currency GBP Pound (base currency)

Payment Due 31/08/2016 Delivery Address Miscellaneous cash sales account

P/O Ref.

Department ANY

Our sales rep.

Rep. Sales Com. 0.00 C H

E/S Payment Due 31/08/2016

E/S Discount 0.00 %

E/S Amount 0.00

Outstanding 120.00

Total Profit 100.00

VAT Prd End //

First Printed On //

Disputed? No

Notes: (do not get printed out)

Tax Details:

Code	Rate%	Description	Goods	Tax
1	20.000	Standard rate	100.00	20.00
Totals:			100.00	20.00

Transaction created on: 31/08/2016 / FIRST

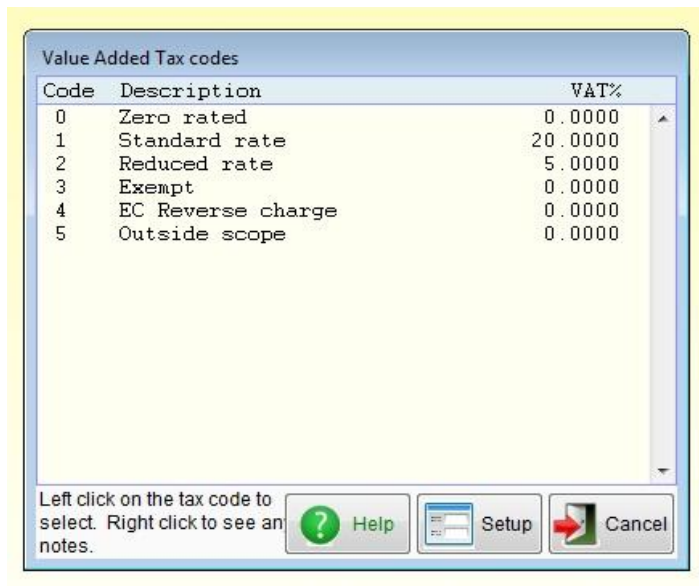
Help Prev Next New Edit Delete Cancel OK

This should be done when you have completed entering the invoice. This is because if you click back on the tab **'Text – Quantity & Prices'** which you'll need to do to post the invoice, if you click into the body of the invoice it will try and automatically recalculate the VAT again, wiping out your edit of the VAT amount. So be careful when editing VAT amounts.

When entering a Sales or Purchase invoice, if you're not sure which VAT code you need, when you're in the **'Tax'** input field, if you type nothing but just press the Enter or Tab keys on your keyboard, a list of available VAT codes will appear, allowing you to select one. Using the default

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VAT codes automatically setup for the United Kingdom, the VAT list that pops up would look like this:



You just have to single left click on the VAT line you require, and that VAT code would be inserted into the invoice, and when you enter the goods/service amount, the VAT would be automatically calculated. If you find you need to create a new VAT code, or edit an existing one, you can click the 'Setup' button.

Cash Accounting Scheme

If an invoice was part paid, it will be reported, in proportion to the amount paid. If an invoice is later refunded or the payment allocated to it is removed, the value that appeared in the Tax Period end will be reversed in the next period end. To operate VAT Cash Accounting, got to Setup → Nominal Ledger → Settings You'll see the input fields on the first page. Although technically Sales Ledger and Purchase Ledger can be on different schemes, in the UK you need to set them both to 'Cash Accounting'.

If you operate the Construction Industry Deduction scheme as well as VAT Cash Accounting, then please be aware that a CIS deduction on an invoice is treated as a part payment. So, ALL invoices entered into the accounts system with a CIS deduction will appear in your VAT period end report, and so your VAT 100 return. The value will be proportional, depending on the amount of the CIS deduction. If you never actually get paid by the contractor, or you never make a payment to your sub-contractor, you must use either a Credit Note or Debit Note to clear the Invoice balance (in full, if no actual part payment has been made). As these will reverse the CIS deduction. Do not use a 'Write Off' or 'Adjustment' because while they would allow you to claim the correct amount of VAT, they would not reverse the CIS deduction. Please see the separate guide on operating CIS for further details.

Stock Control

The retail price of all stock items by default excludes VAT. Unless you are using either the AutoManager or Sales/Cafe Manager modules, in which case the default is to INCLUDE VAT in the stock item retail prices. If VAT is included, when raising a Sales Invoice, the VAT is removed from the item, so the item will go into the invoice without tax, and then it's added back on to the invoice total. Note, this can sometimes cause rounding errors, particularly with very low priced items. If you're not using the AutoManager or Sales/Cafe Manager modules, but want stock item retail prices to include VAT anyway, click on 'Setup' on the top menu bar, go down to 'Stock Control' (or it may say 'Inventory' in your system), and click 'Settings'. In the lower righthand side of the window,

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you'll see the input field 'Retail prices incl. VAT', set this to 'Y'. If you already have items in stock, setting this to 'Y' will NOT automatically change all the retail prices to include VAT. You will have to manually go through each item and edit it, or, you may be able to use the 'Wholesale Stock Changes' option in the 'Stock Control' (or 'Inventory') menu to increase all retail prices by a given percentage.

Entering Transactions into Nominal Ledger that have a VAT element

If you're entering transactions into what is effectively the 'cash book', ie. the 'Money Received', 'Money Paid Out', 'Payment' or 'Receipt' options, you can simply enter the VAT code, or leave the VAT code input field empty if the transaction does not involve VAT in anyway.

If you're entering a journal, perhaps using the 'Enter Journals' option in the Nominal Ledger menu, then life gets a little more interesting! When entering either sales or purchases, you have to enter something into the end two columns. In the image below, we've started entering a transaction:

The screenshot shows the 'Nominal Ledger - Enter Journals' window. The 'Journal Date' is 15/02/2021 (Monday, Account period: 2021/10). The 'Description' is 'Example transaction with VAT'. The 'Department' is empty. The table below shows the transaction details:

Line	A/c Code	Account	Type	Dept.	Debit	Credit	VAT ReportCode	VAT Code	Line
1	4000	F Sales	Inc		0.00	100.00	x		F N Ins Del
2		F			0.00	0.00			F N Ins Del
3		F			0.00	0.00			F N Ins Del

You can see we've selected the a/c for the sales, and we've entered the amount of the sale, £100.00 in this case. If we were not entering a sale or purchase, but some other type of transaction, such as a dividend payment, tax payment, etc. we would ignore the 'VAT Report' and 'VAT Code' input columns, and skip through them to the next line.

However, for a sale or a purchase we need to handle the VAT, even if the transaction is subject to 0% VAT. So, we'll enter the letter 'G' into the 'VAT Report' input field. This tells the software the line we entered is for goods (which includes services for tax purposes here). Then in the next input field 'VAT Code' we enter the VAT code '1'. If you're not sure which VAT code to use, you can click the 'F' button to the right of it, and a list of available VAT codes will appear (as per entering Sales/Purchase invoices). As soon as a code is selected or typed in, another line will automatically appear below it, with the VAT amount already calculated, and posting to the VAT control account. This line can be edited if necessary, see the next image:

The screenshot shows the 'Nominal Ledger - Enter Journals' window. The 'Journal Date' is 15/02/2021 (Monday, Account period: 2021/10). The 'Description' is 'Example transaction with VAT'. The 'Department' is empty. The table below shows the transaction details:

Line	A/c Code	Account	Type	Dept.	Debit	Credit	VAT ReportCode	VAT Code	Line
1	4000	F Sales	Inc		0.00	100.00	x G	1	F N Ins Del
2	2202	F VAT Control Account	Liab		0.00	20.00	1	1	F N Ins Del
3		F			0.00	0.00			F N Ins Del

That saves some work. It's all done for you. All you have to do now is complete the journal by

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entering the bank or cash account, or the control account if balance is still outstanding.

Note, these last two images are for the narrower version of the journal entry option. This was done to make sure the image is easy to see in this document. But most of the time you'll probably see the wider version of the option, which is the same, except it has an extra column **'Description or ref'** that allows you to provide a separate description for each journal entry if required.

Each N/L account for VAT is the account as entered when setting up the VAT codes and rates.

It's vital the **'VAT Report'** and **'VAT Code'** columns contain the appropriate information, as demonstrated above. Otherwise the journal will NOT appear in your VAT period end reports. Just posting an amount to the VAT control account will NOT make the posting appear in your VAT period end reports, it needs the end two columns (**'VAT Report'** and **'VAT Code'**) filling in.

Any other lines in the journal should not have anything in the **'VAT Report'** or **'VAT Code'** input fields, otherwise they'll also end up in the VAT period end report. This includes the bank or cash account, or the debtors/creditors control account posting.

You can add almost as many lines as you like, up to a maximum of 999. So, in theory, you could enter some quite sophisticated transactions, with lots of items, using different VAT codes if necessary. But we suggest you keep them as simple as possible. In fact, where possible, we always recommend entering most sales and purchases through the Sales and Purchase Ledgers, partly because the transactions will be less prone to human error, but also because there is a wealth of reports that you may find useful. If sales and purchases are posted directly into the Nominal Ledger, they will not appear in these reports, limiting their effectiveness. Also, you cannot post any sales or purchase transactions directly into the N/L that are subject to a VAT reverse charge.

All sales and purchases entered directly into the Nominal Ledger are considered to be cash transactions for the purposes of VAT. Regardless of whether they are balanced off against a control account or a cash/bank account. It's important to note this if you are using a cash accounting scheme to account for your VAT.

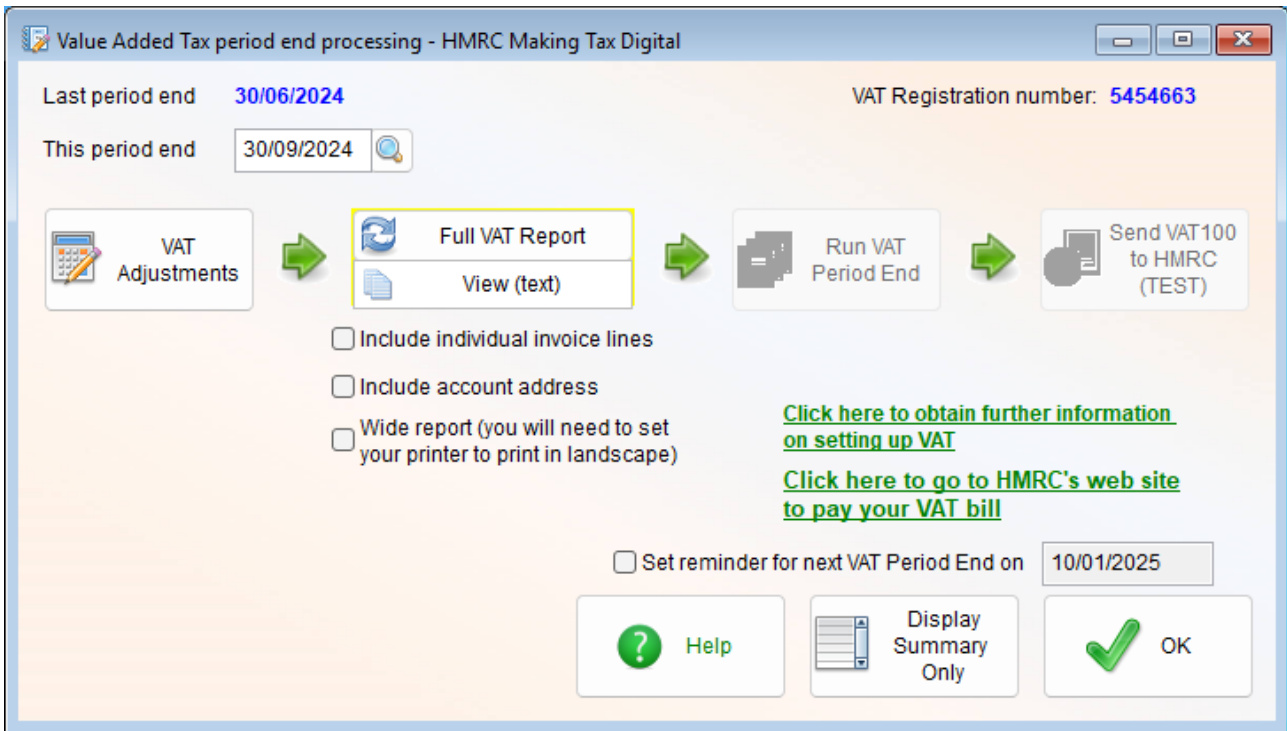
VAT Period End

Probably every quarter, you will have to file a VAT period end with HMRC. To do this, select 'Nominal Ledger' on the top menu bar, then in that menu select 'MTD VAT Menu'. Everything you need to maintain VAT is in that menu. Including the option 'Period End and VAT Return Submission'.

This option will show the date the last VAT Period end was run. See the screen image on the next page. If this is the first time a VAT Period End has been run, the **'Last period end'** date will be blank. It also has the input field **'This period end'**. If it's the first time, this may need to be edited to the correct period end date. In the example screen image, it's the end of September 2024.

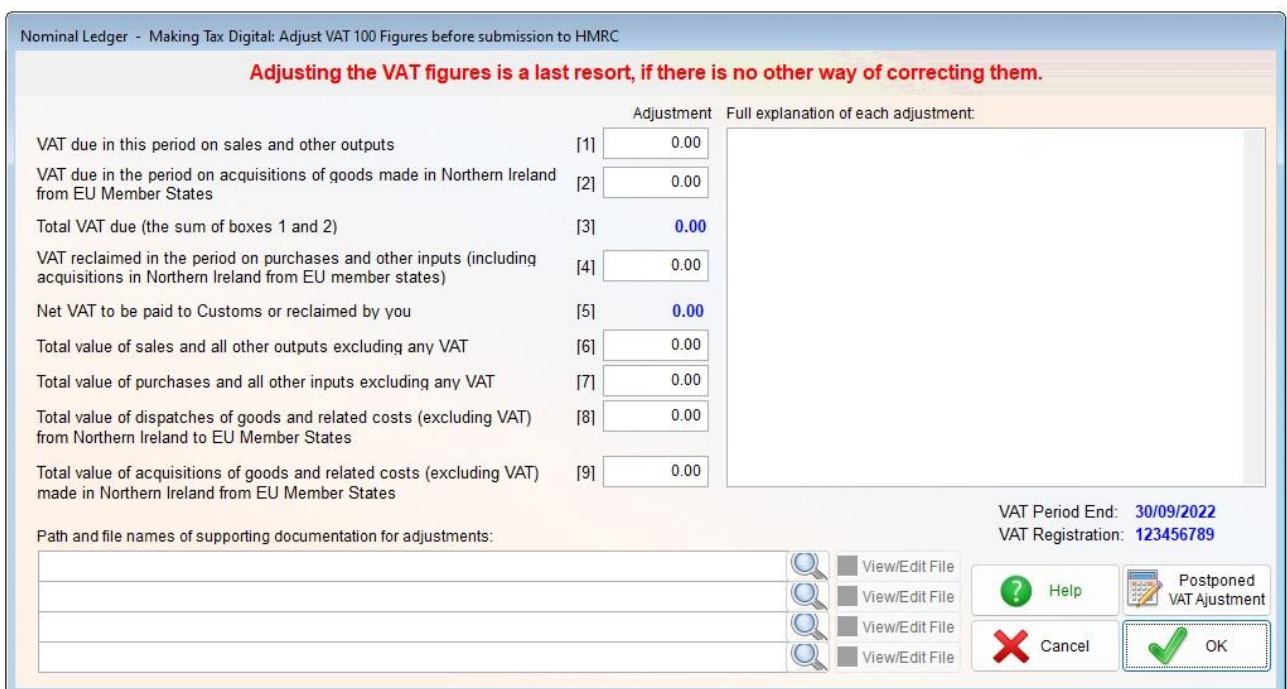
The options you may need to use are laid out across the window in the order in which you need to use them.

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The default VAT period is quarterly (to month end), but you can setup a different VAT period if necessary, so the date is always correct. Click on 'Nominal Ledger' on the top menu bar, select 'MTD VAT Menu' then select 'Settings'. Near the bottom of the window you'll see the input field 'Last VAT period end date', you can enter the date of your last period end in there. The input field below it allows you to enter the duration of your VAT period in days, weeks, or months. To the right of this you can select what the number you have just entered means, e.g. days, weeks, months. There is one selection 'Months (end)', this will always set the date to the end of the calculated month. By default, the system will be set to 3 months, months (end), i.e. quarterly.

The option 'VAT Adjustments' allows you to edit the balance that will be placed into each box in the VAT Return. This option also contains the 'Postponed VAT Adjustment' button. When selected, the following window opens up:



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NOTE: HMRC generally frown on any adjustments to the final VAT figures. **So, other than Postponed VAT, any changes you make in here should be a last resort.** In that you can think of no other way of correcting the figures. Make sure you leave a full explanation of the changes in the notes section provided. It is VERY important that you can prove at a later date exactly what changes were made and why. All the details entered into this option are saved.

In the '**Adjustment**' column, do not enter the figures that you want the VAT Return to show, instead enter one or more amounts to *adjust* the final figures by. For example, if the amount for box 1 in the Full VAT Report (or the Display Summary) shows £104.56, but you need it to be £94.56, then enter a -10.00 into the input field for box 1. If you don't need to adjust the figure in a box, then just leave it as 0.00

You can attach up to four documents (of any type) to these details, that may be required to support the reason for the adjustments. Note, only the location and file name of the documents are saved. Not the actual documents themselves. So, if a document file is deleted or moved at any time, it will no longer be available if/when you re-visit these details at some point in the future.

To enter any Postponed VAT, click the '**Postponed VAT Adjustment**' button. The following window will appear:

Postponed VAT Adjustment

Amount of VAT to Adjust

Filename and location of supporting document:

It is recommended you set the above input field to point to documentation supporting the adjustment being made, this may be the HMRC Posponed VAT report. It may be a collection of two or more documents together, perhaps in a ZIP file.

Note: any document pointed to in this option is not loaded up into Adminsoft Accounts, the software only records the location and file name.

Enter the full amount of Postponed VAT for the VAT quarter. It is highly recommended you then attach any document you have in support of that figure. Note: Like the VAT Adjustments Window, it only stores the location and file name of the document, and not the document itself.

Anyway, getting back to the VAT period end option, you can run the '**Full VAT Report**' as many times as you like, in order to get the figures correct. So, some trial and error can be practised, if required. If you enter this adjustments option after running a Full VAT Report, you will need to run the Full VAT Report again (if you exited using the '**OK**' button, even if you didn't make any changes) before you can submit your VAT Return and run the VAT period end.

There are two reports you can run. If you just wanted to see what your VAT liability looks like, click the '**Display Summary Only**' button. This will display a basic summary of the current status of your VAT liability. However, if it's the end of your VAT period, click the '**Full VAT Report**' button. This will produce a full report, transaction by transaction, with a summary at the end. There are a few options for this report: you can include each line of all invoices and credit notes, include customer and supplier addresses (required in some countries), and produce a wide version of the report (this will include extra detail on each line). Only when you've run this report can you

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click 'Run VAT Period End' button. There will be more about these buttons later. We recommend you at least print the report off, and possibly save the full report to a text or PDF file too. So, you can prove to HMRC at any time where your VAT figures came from. Although Adminsoft Accounts can reproduce VAT reports from any previous VAT periods (from the MTD VAT Menu), we do not recommend you solely rely on this feature.

Following is an example produced by the 'Display Summary Only' option:

Sample Company Ltd. Value Added Tax summary for tax period to 30/11/22
Produced on 01/12/22 at 12:31 by MT

SALES LEDGER VALUE ADDED TAX

Code	Description	<---- Invoices ---->		<-- Credit Notes -->		Other
		Goods	VAT	Goods	VAT	VAT
1	STANDARD RATE	166.67	33.33	0.00	0.00	0.00
5	Box 8 or 9	100.00	30.00	0.00	0.00	0.00
		-----	-----	-----	-----	-----
		266.67	63.33	0.00	0.00	0.00
Invoices less Credits:		266.67	63.33			

PURCHASE LEDGER VALUE ADDED TAX

Code	Description	<---- Invoices ---->		<-- Credit Notes -->		Other
		Goods	VAT	Goods	VAT	VAT
1	STANDARD RATE	150.00	30.00	0.00	0.00	0.00
2	Canadian GST + PST	200.00	46.00	0.00	0.00	0.00
4	Reverse charge for	200.00	0.00	0.00	0.00	0.00
		-----	-----	-----	-----	-----
		550.00	76.00	0.00	0.00	0.00
Invoices less Credits:		550.00	76.00			

NOMINAL LEDGER VALUE ADDED TAX

Code	Description	<---- Goods/Services ---->		<----Value Added Tax---->	
		Debit	Credit	Debit	Credit
4	Reverse charge for	250.00	0.00	0.00	0.00
		=====	=====	=====	=====
		250.00	0.00	0.00	0.00

Debits are purchases, and Credits are sales.

Report below includes 45.00 in VAT reverse charges from N/L and/or P/L

Figures for HM Revenue & Customs Value Added Tax Return (form VAT 100):

VAT due in this period on sales and other outputs	[1]	63.33
VAT due in this period on acquisitions from other EC Member States	[2]	45.00
Total VAT due (the sum of boxes 1 and 2)	[3]	108.33
VAT reclaimed in this period on purchases and other inputs	[4]	121.00
Net VAT to be paid to Customs or reclaimed by you	[5]	-12.67
Total value of sales and all other outputs excluding any VAT	[6]	266
Total value of purchases and all other inputs excluding any VAT	[7]	800
Total of all supplies of goods and related costs to other EC States	[8]	100
Total of all acquisitions of goods and related costs from other EC States	[9]	0

Report for Value Added Tax registration number: 464763737

IMPORTANT NOTICE: The total tax figure is based on all the tax you have charged on sales, less tax you have been charged on your purchases, from all ledgers. Some transactions older than your current tax period that have not appeared on any previous report (perhaps due to being received/input late) may be included here. The 'tax date' for each transaction is used to decide in what period it falls (unless it's missed a previous tax period end). Adminsoft Ltd. and any of its associates or software developers cannot accept any responsibility whatsoever for the accuracy of the information presented here or the method by which any of the figures have been arrived at. It is your responsibility to ensure your tax filings and payments are correct.

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This report provides a fairly detailed summary, providing a break down for each VAT code used, for each ledger, along with the VAT 100 (your VAT Return).

Box 5 will contain the amount of VAT you owe HMRC. If the figure is negative, as in the sample report above, then it means HMRC owe you money. They will refund you normally a few days after filing your VAT return. Unless they decide you deserve a VAT inspection, then they will usually put any refund on hold until they've checked your accounts. This can delay any refund by weeks.

Box 2 as from 1st January 2021 is mainly used in Northern Ireland only. It may contain reverse charges on purchases, any reverse charges added to **box 2**, will also be added to **box 4**. This reverses them out of the equation, as a VAT reverse charge is purely an imaginary figure made up by HMRC (goodness knows why). Any other VAT in **box 2** will NOT be reversed out, and so will not reduce the amount of VAT that you owe (**box 5**).

Note: as from 1st January 2021, boxes 8 and 9 are only used in Northern Ireland. Though they will continue to appear in the VAT Return throughout the UK.

If you purchase goods/services from another EC state, and have been charged VAT, do not enter it as a VAT amount, because it can't be reclaimed via the VAT100. Instead, create a Purchase Analysis code for it, and enter it as a separate charge in the invoice. It will then not upset your VAT100 report, and you can analyse the Purchase Analysis code to see what VAT you can reclaim (if possible) from which EC state. You can also associate the Purchase Analysis code with a Nominal Account expense for 'EC VAT Paid', for example (a further posting will then need to be made to this account should you successfully reclaim the VAT). You may be able to claim through HMRC (they have an on-line form to do this). It's possible you shouldn't be paying any VAT at all, if you provide your EC supplier with your UK VAT registration number, they should not charge you VAT (you would then use the reverse VAT scheme). Although the rules are very complicated, and goods are treated differently to services. Regrettably, the rules are now different across the United Kingdom, as Northern Ireland is in the EU Single Market, where as England, Scotland and Wales are not.

The columns in the report above headed '**Other VAT**' contain VAT amounts from Adjustments, Early Settlement Discounts and Write-Offs. As these transactions affect the balance of an account, and do not signify the sale or purchase of goods/services, only the VAT amounts are included (if any). Also, such transactions for Sales Ledger are included in **box 4**, and for the Purchase Ledger they're included on **box 1**. You might have expected them to be the other way around. But as we understand current VAT legislation, this is the correct way to include these transactions.

The only difference between this report and the Full Report, is that the Full Report will list all the transactions (and other detail if required) that went into making up the summary.

As you can see, the summary is in three sections, one for each ledger. So, although it won't present the information in the way you need to file it (unless you're based in the United Kingdom), it should present all the figures you need to easily work out what your VAT filings should be. The top two sections, one covering Sales Ledger and one cover Purchase are each further divided into '**Invoices**' and '**Credit Notes**'. With a total figure that subtracts the Credit Notes figure from the Invoice figure. However, there is also a further column on the far righthand side called '**Other VAT**'. This column will show any VAT that has been included in any Adjustments, Early Settlement Discounts, or Write-offs. These transactions affect the balance of a customer or supplier account, but the goods/services amount, so there is no goods/services figure, just a VAT figure.

The section for Nominal Ledger is of course different to the other two sections, because in the

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Nominal Ledger a journal is a journal. The ledger makes no distinction between a sale, adjustment, or any other type of transaction. In this report, they are assumed to be sales and purchases.

Note, there are Reverse Charges of 45.00 in this report, and it's displayed a note to this effect. It says it may have come from the P/L or N/L. A reverse charge VAT code has been used in each, but we do not recommend reverse charges are applied through the N/L, as it was not designed to handle them.

If you are based in Northern Ireland, you'll note there is 100 in **box 8**. This figure has been arrived at from VAT code 5 as shown in the Sales Ledger summary. Whether a figure shows in **box 8 or 9** is dependent on the VAT code used. This is because box 8 and 9 should only contain sales/purchase of goods. A different VAT code should be used for services. Note: England, Scotland and Wales no longer use boxes 8 or 9.

Before you can submit your VAT Return, you will need to run the VAT Period End. It is *VITAL* that when you are running a VAT period end, that no one else is logged into the company/organisation you are working on. Otherwise, one or more transactions could get entered into the VAT period in between you running the Full Report and processing the VAT period end, which would compromise the figures. It would mean the report would no longer reflect the actual position during that VAT period. You could end up underpaying or overpaying VAT. The VAT Period End will mark each transaction in that VAT quarter to say that it's been processed, and in the case of VAT Cash Accounting, how much VAT has been added to the VAT Return.

At this point, if after running the VAT Period End you realise a mistake has been made, you can exit the option, and then select 'Undo VAT Period End'. That can un-process the VAT Period End just run. Which means you can then correct the mistake, and go back into the Period End and VAT Return Submission option and do it all again. However, you cannot do this once the VAT Return has been submitted to HMRC.

After processing the VAT Period End, you will be able to click the '**Send VAT100 to HMRC**' button ("VAT 100" is another name for VAT Return, in the days when it was a paper document filled in and mailed to HMRC, the document was identified as the VAT 100). Adminsoft Accounts can send your VAT Return figures directly to HMRC for you (HMRC removed the facility on their web site to file a VAT Return). It works in a similar way to payroll RTI. However, you need to set up the details in the Settings option. The default setting is to run in 'TEST' mode (and you may see '(TEST)' on the button). In this mode you can send the VAT Return to HMRC, and they will check it as if it were a real, but then discard it. It can be useful for you to do this at least once, so you get a feel for how it works. There is a detailed explanation of this option later on.

NOTE: If you realise you've made an error *after* submitting your VAT Return to HMRC, it cannot be corrected. It would be great if you could correct it and just re0submit your VAT Return. But sadly, HMRC do not allow that. All you can do is enter the correction into the next VAT quarter. If the error is above a certain limit (check HMRC's web site for limits on errors) you will need to inform HMRC.

Before we get into the business of an actual VAT Return submission, we'll go through a few settings that need to be in place in order to make it work. In the MTD VAT Return menu, select the 'Settings' option. The window that appears will look something like this:

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Nominal Ledger - MTD VAT Settings & Options

VAT registration number: 12345678

Submission to HMRC

HMRC submission method: Making Tax Digital

Run in TEST mode?: Y

Re-authorise MTD VAT Access

General Settings

Registered for VAT from: [unknown]

Annual Accounting scheme?: N

VAT Flat Rate Scheme?: Y Percentage charged: 10.00 %

S/L VAT accounting scheme: Cash Accounting

P/L VAT accounting scheme: Cash Accounting

Report advanced payments: No Calculate VAT: No

Last VAT period end date: 30/06/2024

VAT period: 3 Months (end)

Registered from: [not registered] Category:

Should be set the same in the UK

Help Cancel OK

'**VAT registration number**' is supplied to the company/organisation by HMRC once they have approved your application to become VAT registered. It is usually a nine digit number. When the UK was a member of the EU, the letters 'GB' would be prefixed. This is no longer a legal requirement, but you can still do this if you wish. The software when processing VAT will ignore anything in the VAT registration that is not a numeric digit (but it will get printed out on invoices, etc. exactly as you have entered it). It is **VITAL** the VAT registration number is correct, **and for the correct company/organisation**. All MTD VAT services, including submission of VAT Returns to HMRC rely on this number.

If you edit the VAT registration input field, and you're on a multi-user system, all other users will have to exit this company/organisation and re-enter, in order for the change to take effect for them. The VAT registration number can be edited in a couple of other places in the system, and the same rule applies.

'**HMRC Submission Method**' obviously defines what method you will use to submit your VAT return. The options are: '**None**' which means a VAT return will not be sent from Adminsoft Accounts, '**Old style XML**' which is now greyed out, and so cannot be selected, '**Making Tax Digital**' which means VAT returns can be sent directly from Adminsoft Accounts based on the new method of sending the data, and '**Making Tax Digital with Spreadsheet**' which is basically the same, but it allows the use of spreadsheet/s for calculating your final VAT figures.

If you intend to submit VAT Returns, and most VAT registered businesses will need to, you must be registered with HMRC to use this service.

The input field '**Run in TEST mode?**' is by default set to 'Y'. Which means if you submit a VAT return, HMRC's servers will display messages as if it were real, but they will not process it. TEST mode is useful if you have not submitted a VAT return before via Adminsoft Accounts, and you want to know what to expect, and make sure it works! Sometimes, Windows firewalls and anti-virus software can cause problems. So, if there's going to be a problem, it's better to know during a

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test rather than when submitting a VAT return for real!

‘Registered for VAT from:’ is the date this company/organisation's VAT registration began. From that date, it was allowed to reclaim VAT on purchases, and had to pay VAT on sales (where appropriate). This data field is updated when you click on 'Update Data' in the 'Display VAT Data Held by HMRC' option in the VAT menu. If you haven't yet used that option, no date will be displayed.

‘Annual Accounting Scheme?’ If you operate this scheme, then set this to 'Y'. Under this scheme, you will make regular fixed payments to HMRC, and only submit a VAT Return once a year. You will need to adjust the **'Sales Tax/VAT Period'** manually, as it will not adjust to one year automatically. At the end of the year, may need to make a balancing payment, as your regular payments may not be enough to cover your VAT liability for the year. Though if your regular payments are too high, HMRC will refund you the overpayment. Under the old XML method (and on HMRC's web portal), a box 10 was be available, allowing you to enter the balancing payment amount. Currently (as of Oct.'25), under MTD there is no facility for entering the balancing payment amount. HMRC will work it out for you.

Note: you will need to set **'VAT Period'** input field to 12, and ensure the input field to the right of it is set to 'Months (end)'. Then system only expects you to run the VAT period end once a year.

As of Oct.'25, any business or organisation with a taxable turnover of less than £1.35m can apply for this scheme. The downside is, you have to pay an amount of VAT up front, based on your last VAT Return. So, it could hit cash flow. Also, if you tend to receive VAT refunds, it could again hit cashflow, because there would only be one refund a year.

‘VAT Flat Rate Scheme?’ If you operate the Flat Rate Scheme then set this to 'Y'. An input field **'Percentage charged'** will appear to the right of it, allowing you to input the percentage for your business. When you produce a VAT period end report, this percentage will be used to calculate the figures for your VAT return. Some capital items may be exempt from the flat rate (see HMRC's web site for details, and setting up VAT codes and rates in this guide). In Adminsoft Accounts, a VAT code is used to indicate an item purchased or sold should be treated as a Capital Item. You will need to create this VAT code, and tick the **'Capital Item under Flat rate Scheme'** check box in the VAT setup option.

In the VAT Return, box 1 will be calculated on the total amount of sales plus any VAT. For example, if your rate is 10%, and you sell an item for £100 plus £20 VAT, the 10% rate will be applied to the £120 total figure, so adding £12 into box 1. Any capital items sold will be removed from the total sales and VAT figures, and then added back in after the flat rate has been applied. Capital items will have the usual VAT rate applied.

‘S/L VAT accounting scheme’ This is set to **'Standard'** by default, which means your VAT return figures will reflect the values of all transactions up to the period end date, whether they have been paid or not. If you operate under the Cash Accounting Scheme, then set this to **'Cash Accounting'**. Note, there is an input field **'P/L VAT accounting scheme'** below it, normally this should be set to the same value. In the United Kingdom, when using the cash accounting scheme, it must always be applied to both ledgers. Under cash accounting, only transactions that have been paid or part paid will appear in the VAT period end report. If a transaction has been part paid, then only a proportion of the amount and VAT amount will be reported. Adminsoft Accounts is an accrual based accounts system, and setting either of these input fields to **'Cash Accounting'** does not change that. They only change the VAT period end reports and processing, ALL other reports and balances are unaffected.

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'**Report advanced payments**', when set to 'Yes', when entering a payment received from a customer or sent to a supplier, an extra input field will be available that allows you to enter an amount for VAT. This is for payments that are made in advance. i.e. before an invoice has been created or before you intend to allocate the payment to it. If the payment, or part of the payment remains unallocated on the date of the VAT period end, it will appear in the report (if part allocated, the amount listed in the report will be pro-rata). It will keep appearing in the VAT period end report until it is allocated to one or more transactions in full. The balance of advance payments reported in the previous VAT period end will be brought forward and deducted from the total of advance payments listed in the current VAT period end. This can operate regardless of any VAT accounting scheme that may be selected, however it only operates for Purchase Ledger if the VAT Cash Accounting scheme is selected.

'**Calculate VAT**', is used in conjunction with '**Report advance payments**', and when set to 'Yes' it will automatically calculate a VAT amount based on the default VAT code in the customer or supplier account. Note: if there is a VAT amount entered into a payment, if the payment is fully allocated before the VAT period end (i.e. no balance outstanding), then any VAT figure for an advanced payment will be ignored.

'**Last VAT period end date**', is the date for which a VAT period end was last processed. If the accounts system has just been installed, this may be empty. You can enter a date if you wish. The date here in conjunction with the input field '**VAT Period**' below it, is used to work out the next VAT period end date (which is automatically displayed when running the VAT period end, although the date in there can be edited).

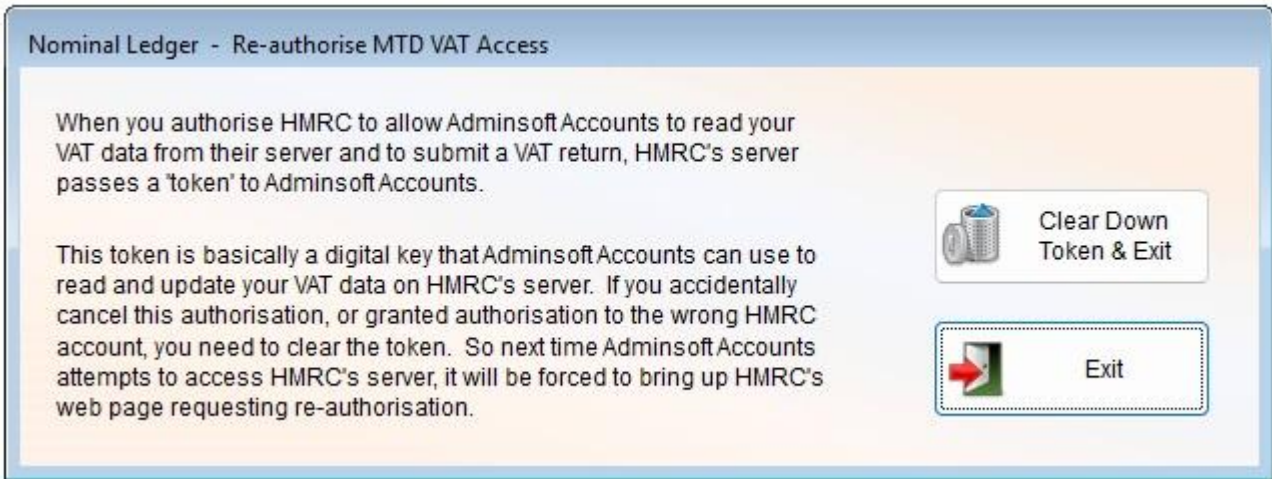
Once set up, you should never need to change this date. Any transactions entered that pre-date the last VAT period end processed will be picked up in the next VAT period end. No changes to any of the settings is required.

'**VAT Period**' allows you to specify the length of your VAT period. The first input field is the number of days, weeks, or months, and the input field next to it allows you to select what the number you entered refers to: e.g. days, weeks, or months. The last option in that input field 'Months (end)' means it will always select the end of a month. For example, if your VAT period is monthly, and your last period was 30th June, if you select 'Months', it will calculate the end of the next period as being 30th July. But if you need the end of each month, set it to 'Months (end)' and the next period end would be calculated as 31st July. Currently (as of Aug.'25) in the United Kingdom, a VAT period is always three calendar months, unless you have permission from HMRC to operate annual accounting, in which case it will be 12 months. When the option is selected to run the VAT period end, it will calculate the date, and present it to you. The date can be edited.

There is a button '**Re-authorise MTD VAT Access**' which is only visible if one of the Making Tax Digital options is selected as the **HMRC Submission Method**. Please see the section on submitting MTD VAT returns for information on authorisation. But basically, if you receive error messages from HMRC regarding authorisation, you may need to click this button. So, when you next attempt an MTD VAT Return submission (or attempt to obtain your VAT data from HMRC), the software will display HMRC's web site requesting authorisation. Allowing you to re-authorise Adminsoft Accounts to send and receive your VAT data from HMRC. Sometimes, if someone is operating two or more VAT registered businesses/organisations, it is not unusual to use the wrong VAT code, or use the wrong HMRC credentials when signing in to authorise Adminsoft Accounts to access your VAT data. If you have entered the wrong VAT code, correct it, and then use this button to force the system to re-authorise. If you think you've entered the wrong credentials, again, use this button to force the system to re-authorise – so giving you an opportunity to enter the correct credentials.

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The window will look something like this:

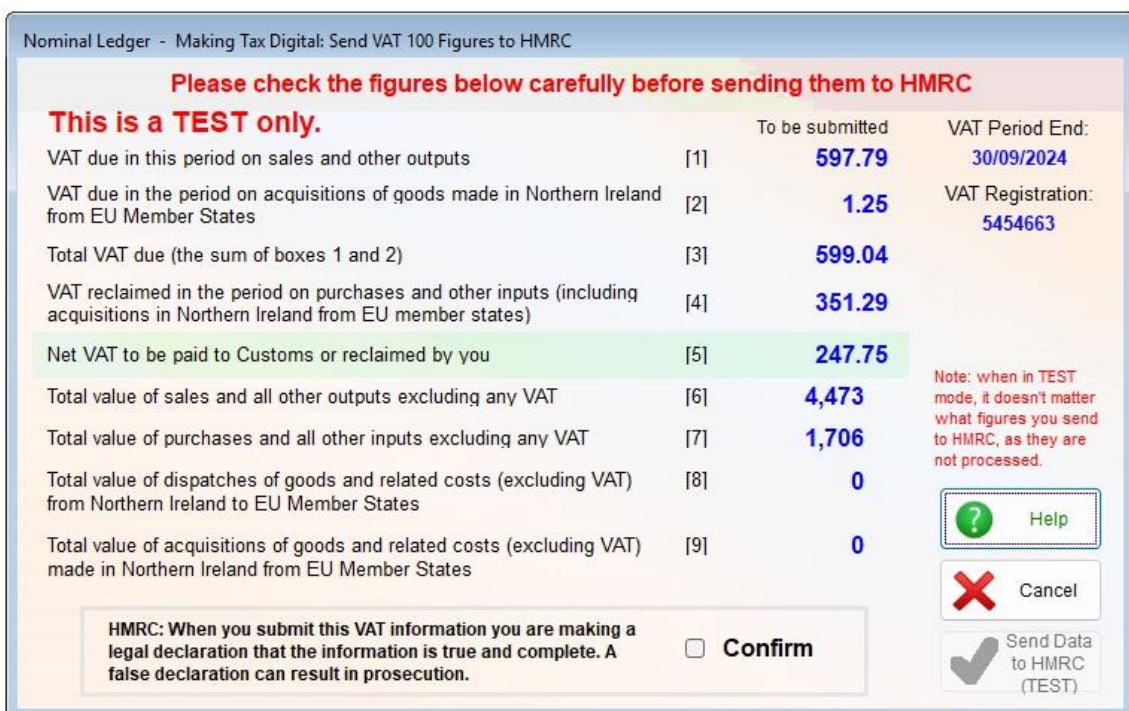


Click the 'Clear Down Token & Exit' button. When HMRC authorise Adminsoft Accounts to send/receive VAT data, it sends it some security tokens, which Adminsoft Accounts then uses each time it makes any kind of VAT related submission to HMRC. What this option does, is clear those tokens, so when Adminsoft Accounts next makes a VAT related submission (usually a VAT Return), it has to request authorisation from HMRC again.

Submitting a VAT Return Using MTD

This section will run through sending VAT returns using the MTD method. If you haven't sent MTD VAT returns before, you will need to register with HMRC to use that service.

When you click the 'Send VAT100 to HMRC' button, if you are not using a spreadsheet to calculate your final VAT figures, then the VAT Return submission window will look something like the image below. What you see in the boxes 1 to 9 is what will be sent to HMRC. If you need to adjust the figures on a regular basis, then you may need to use the other MTD option that allows the use of a spreadsheet/s to calculate the figures. See the 'Settings' option above for this setting.



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Note: It is YOUR responsibility to ensure your tax figures are correct. Please check them very carefully, and always allow plenty of time to prepare and submit them to HMRC.

This option allows you to send your VAT Return to HMRC using their Making Tax Digital process. As discussed previously, once you have submitted your VAT figures to HMRC they can not be changed.

Please be aware, some users have experienced issues with Internet Explorer. When you submit your VAT return for the first time, Adminsoft Accounts will fire up your default browser and display a page on our web site, before automatically redirecting to HMRC's own web site. If HMRC's web site does not appear, and you are using Internet Explorer, then I'm afraid you will need to change your default browser to Firefox or Chrome. Which work properly.

Check the '**To be submitted**' column carefully, and then click '**Confirm**' to indicate you have read and understand the declaration. This is an HMRC requirement. The '**Send Data to HMRC**' button will remain greyed out until you have confirmed. Click '**Send Data to HMRC**' button when ready to submit the VAT figures to HMRC. Another window will appear that will set up communications with HMRC. You may be taken to HMRC's web site to authorise the data transfer from Adminsoft Accounts. This security feature is something that will need to be done every 15 to 18 months (it will happen automatically).

If you use spreadsheets to calculate your final VAT figures, then there is another option you need use. Select 'Nominal Ledger' on the top menu bar, select 'MTD VAT Menu', and then select 'Settings'. Change the option in the upper right hand corner to 'Making Tax Digital with Spreadsheet/s'. You will no longer be presented with this simple option (above), but a more complex option that allows you to use one or more spreadsheets to calculate your final VAT figures. More about this later.

Running in TEST Mode

It's a good idea to run once in test mode, to make sure your Windows, anti-virus and firewall software will allow Adminsoft Accounts to communicate over the internet, and to get a feel for what happens. Before running the system live.

In TEST mode, you can submit a VAT Return, but HMRC will not process it. You may only be able to submit your VAT return once though, as further attempts may generate an error from HMRC's server saying the return has already been submitted. The '**Confirm**' still needs to be checked, but only in order to enabled the '**Send Data to HMRC**' button. As it's a test, you can send whatever figures you wish.

However, running in TEST mode is not quite the same as running live. In test mode, the first time you run it, it will create a new test user. An HMRC web page will appear, but instead of requesting your security details, it will ask you to enter the login credentials of the test user (which Adminsoft Accounts will be displaying in a small window). Buttons are provided to put the user ID and password on the clipboard to make to it easier to enter them into HMRC's web site. Test users only last 14 days at the most (often a lot less), after that time, a new test user would be created, and you have to go through the sign in again with HMRC's web page.

There is one big problem when running in TEST mode, HMRC's server will only accept VAT

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returns with one of the following dates: 31/03/17, 30/06/17, 30/09/17 and 31/12/17. So, the software will change your VAT period end date (in the submission only), in order to allow you to go through the whole process with a successful submission.

There is an option "Display Data Held by HMRC" in the 'MTD VAT Menu'. This option allows you to request data held by HMRC on your VAT Returns and any payments made for those returns. In TEST mode, some test data is produced. This is data made up by HMRC, just to make sure it can be read. So, it'll bear no resemblance to your actual, real VAT data.

VAT Groups

If this company/organisation is part of a VAT group (i.e. it has the same VAT registration number as 1 or more other companies/organisations set up within Adminsoft Accounts) this will send a VAT Return for the **whole group**. Provided each member company/organisation within the group has processed their VAT Period End. There will be a button 'VAT Group Data', which will show you the VAT figures that have been used from each company/organisation. We strongly recommend you look at this carefully. Once the VAT Return has been submitted, no further VAT Returns can be submitted for the same VAT period for the same VAT registration number. So, if a company/organisation gets left out of the VAT Return, you will not be able to submit the figures until the next VAT period end. Should this happen, do NOT run a VAT period end for that company/organisation until the next period end. It does mean that company/organisation may be submitting six months of VAT figures in one VAT Return. Check with HMRC to see whether you need to report the error. If it's just hundreds of pounds, probably not, but if it runs into thousands, then you may well need to contact them.

Working out the VAT figures with a spreadsheet and submitting them

If you have set up the system to use one or more spreadsheets to calculate your final VAT figures, then the VAT100 window will look something like this:

Nominal Ledger - Making Tax Digital: Send VAT 100 Figures to HMRC

Please check the figures below carefully before sending them to HMRC

This is a TEST only.

	Calculated by accounts system	Send figures to cells	Read figures from cells	To be submitted
VAT due in this period on sales and other outputs	[1] 597.79	B3	D3	597.79
VAT due in the period on acquisitions of goods made in Northern Ireland from EU Member States	[2] 1.25	B4	D4	1.25
Total VAT due (the sum of boxes 1 and 2)	[3] 599.04			599.04
VAT reclaimed in the period on purchases and other inputs (including acquisitions in Northern Ireland from EU member states)	[4] 351.29	B6	D6	351.29
Net VAT to be paid to Customs or reclaimed by you	[5] 247.75			247.75
Total value of sales and all other outputs excluding any VAT	[6] 4,473	B8	D8	4,473
Total value of purchases and all other inputs excluding any VAT	[7] 1,706	B9	D9	1,706
Total value of dispatches of goods and related costs (excluding VAT) from Northern Ireland to EU Member States	[8] 0	B10	D10	0
Total value of acquisitions of goods and related costs (excluding VAT) made in Northern Ireland from EU Member States	[9] 0	B11	D11	0

Spreadsheet file to send VAT figures to: C:\WORK\DOCUMENTS\IOFEX ANALYSIS.XLS

Spreadsheet file to read VAT figures from:

(leave empty if you are just using one spreadsheet file to send VAT figures to and read VAT figures from)

HMRC: 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. Confirm

VAT Period End: 30/09/2024
VAT Registration: 5454663

Note: when in TEST mode, it doesn't matter what figures you send to HMRC, as they are not processed.

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If you don't use spreadsheets to calculate your final VAT figures, then there is a simpler option you can use. Select 'Nominal Ledger' on the top menu bar, then select 'MTD VAT Menu', and select 'Settings'. Change the option in the top righthand corner to 'Making Tax Digital' (ignore the last one 'with Spreadsheet'). You will no longer be presented with this option for spreadsheets, but will be presented with the simpler option discussed previously. If not using spreadsheets, you can still use this spreadsheet option, if you wish. Just ignore the spreadsheet controls and click the '**Send Data to HMRC**' button to submit your VAT figures to HMRC, after carefully checking the '**To be submitted**' column and clicking '**Confirm**', of course.

If you use spreadsheets, then things get a little more complicated. Under Making Tax Digital you are no longer allowed to enter the final VAT figures manually. They have to be calculated. So, if you use one or more spreadsheets to calculate your VAT liability, the figures have to be automatically transferred from Adminsoft Accounts into your spreadsheet, and then when you have completed the calculations, they have to be automatically transferred back into Adminsoft Accounts.

You will need to follow ONE of the following three procedures:

Using a single spreadsheet

Enter the location and file name of your spreadsheet into the input field '**Spreadsheet file to send VAT figures to**', you can click the '**Locate File**' button if you prefer, which is probably easier. The input field below it '**Spreadsheet file to read VAT figures from**' can be ignored. Next, enter the cell locations. The '**Send figures to cells**' column are the locations of the cells that will be populated by the VAT figures as produced by the accounts system. The '**Read figures from cells**' column are the locations of the cells that contain the calculated final VAT figures that need to be read back into the accounts system.

When the above task is complete, click the '**Spreadsheet: Save Setup**' button to save the information you have entered. This will be automatically loaded up next time you need to process your VAT period end. Saves time having to re-key in the location and cell location information. You only ever need to click this save button once, unless any of the spreadsheet information has changed.

Next, click the '**Send figures to Spreadsheet**' button. This will open the spreadsheet (as specified in the '**Spreadsheet file to send VAT figures to**' input field), and automatically put the VAT figures as calculated by the accounts system into it, using the cell locations specified in the '**Send figures to cells**' column.

Calculate the final VAT figures as necessary, then click the '**Read figures from Spreadsheet**' button. This will read the VAT figures out of the spreadsheet, using the cell locations as specified in the '**Read figures from cells**' column. The column '**To be submitted**' will now contain the VAT figures read from the spreadsheet. If you are using Excel, the spreadsheet will automatically close, giving you the option of saving the data in it first. Always keep a copy of the spreadsheet, so if necessary, you can show HMRC how you arrived at the VAT figures.

You're now ready to click '**Confirm**' and then the '**Send Data to HMRC**' button, and send the VAT figures to HMRC.

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Using multiple spreadsheets

The process is very similar to the above procedure for using one spreadsheet. The difference is, the spreadsheet that contains the calculated final VAT figures must be entered in the input field '**Spreadsheet file to read VAT figures from**'. The '**Read figures from cells**' column refers to locations in this spreadsheet.

When you have clicked the '**Send figures to Spreadsheet**' button, you can work on the spreadsheet as required, then close it down (make sure you save). If there are any intermediate spreadsheets, you will need to open these up manually. When you get to the final spreadsheet, produce the final VAT figures, save, and then close it down. You will then need to click the '**Read figures from Spreadsheet**' button, so that Adminsoft Accounts can open it up, and read in the final VAT figures.

There are two things to remember. In order for Adminsoft Accounts to send VAT figures to a spreadsheet, or read VAT figures from it, it needs to have opened the spreadsheet itself, in order to connect to it and read/write data to the cells. The second thing to remember is that under Making Tax Digital, you cannot manually transfer VAT data. It must be done automatically. So no 'copy and pasting' from one spreadsheet to another. If data needs to be transferred from one spreadsheet to another, an operation (perhaps a Macro) needs to be set up to do this.

Using Adminsoft Accounts as a spreadsheet bridge

If you maintain your accounts on a spreadsheet, or use some other software which can output the VAT figures into a spreadsheet, you can just use Adminsoft Accounts as bridging software to submit your VAT return to HMRC. You don't need to enter any accounts or transactions, just run the VAT period end option (you will still need to run a Full VAT Report, even though they'll be nothing on it), and then run the VAT Period End.

In this case, there are no figures to send from the accounts system into a spreadsheet. So, in the '**Spreadsheet file to read VAT figures from**' input field, enter the location and name of your spreadsheet file, or click the '**Locate File**' button to the right of it. In the '**Read figures from cells**' column, enter the cell locations that are in your spreadsheet that contain the final VAT figures. Then you need to click the '**Read figures from Spreadsheet**' button in order for Adminsoft Accounts to open the spreadsheet and read the VAT figures out of it. Obviously, the spreadsheet must be closed before Adminsoft Accounts can open it.

Actually sending your data to HMRC

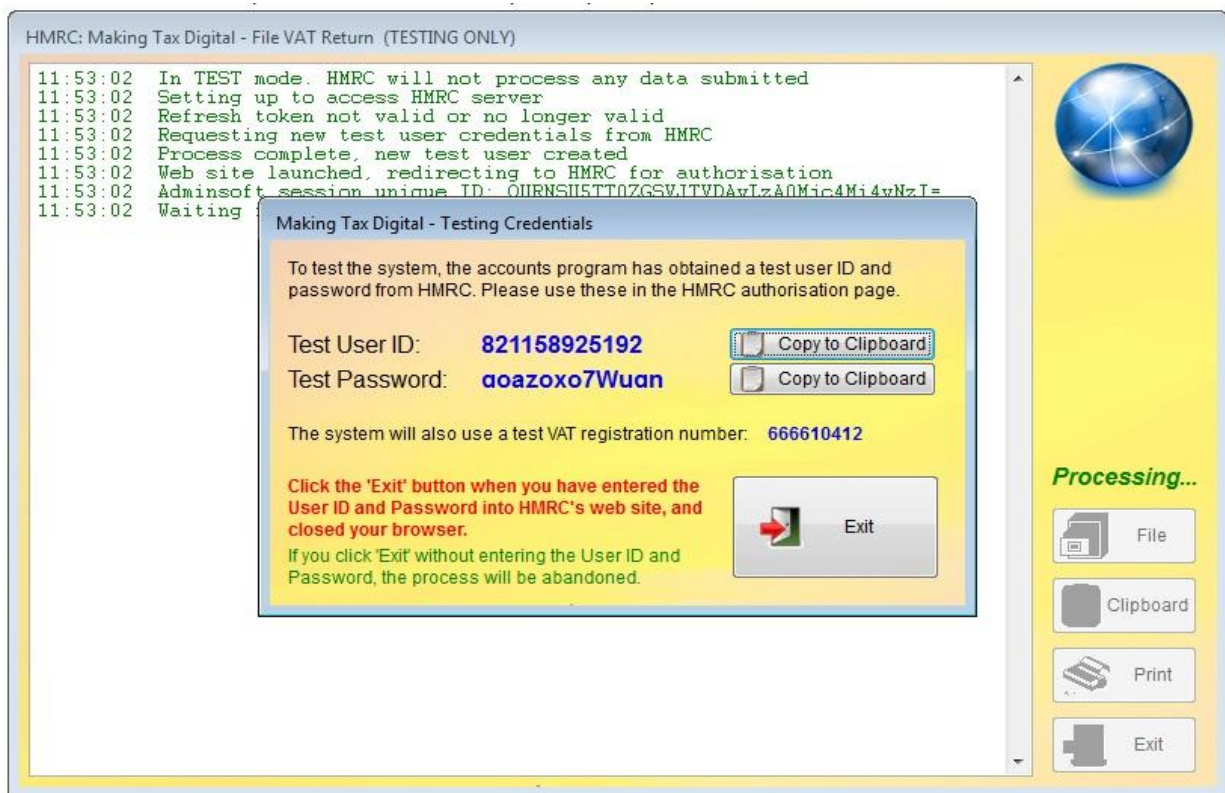
So, once the '**Send Data to HMRC**' button has been clicked, in either of the above VAT100 windows, you will see a window that displays a detailed commentary as it progresses with the communication with HMRC.

If you're running it for the first time, it will stop and a small window will appear, at the same time your web browser will start up and take you to HMRC's web page that allows you to grant authority to Adminsoft to send your HMRC VAT return, and download your VAT data. This will involve you having to enter your HMRC gateway ID and password into HMRC's web page. HMRC may then

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send a 6 digit code to your mobile 'phone, to make sure it's you. You will then need to enter this code into HMRC's web page. Once you have entered the details required, you'll need to close down your browser, and click the 'Exit' button on the small window in Adminsoft Accounts that has been waiting for you. The software will then continue with submitting your VAT Return.

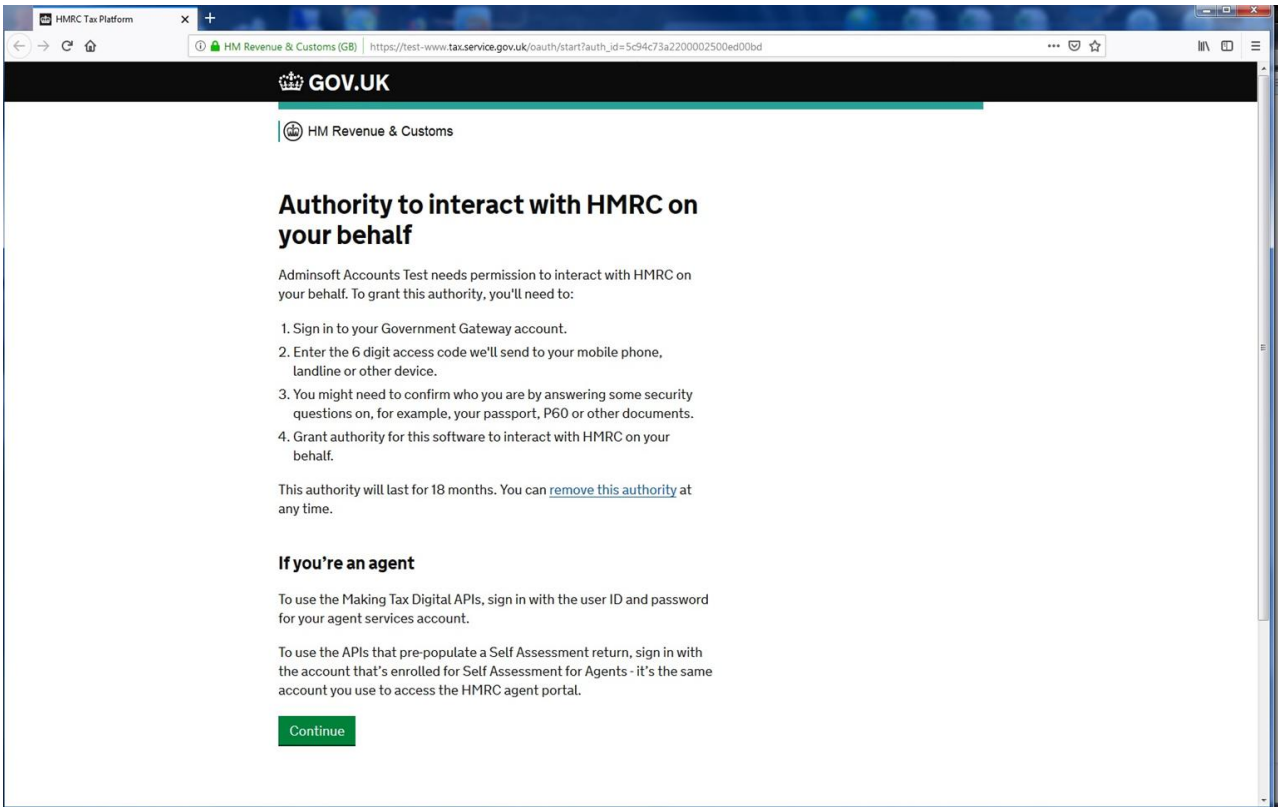
If you're running in TEST mode, it will behave in a similar manner, but not quite the same. Adminsoft Accounts will create an HMRC on-line test user, then display a small window displaying the ID and password of this new user. Your browser will start up, and you'll be taken to an HMRC web page. Click the 'Continue' button on the page, and go through to enter the user ID and password. The small window in Adminsoft Accounts has 'Copy to Clipboard' buttons to the right of each item. You can use this to copy and paste the information into HMRC's web page, instead of typing in the information. When done, follow the instructions on the web page, it will eventually leave you in a web page on our web site, close your browser at that point, and click the 'Exit' button on the small window in Adminsoft accounts. The window will look like the following image:



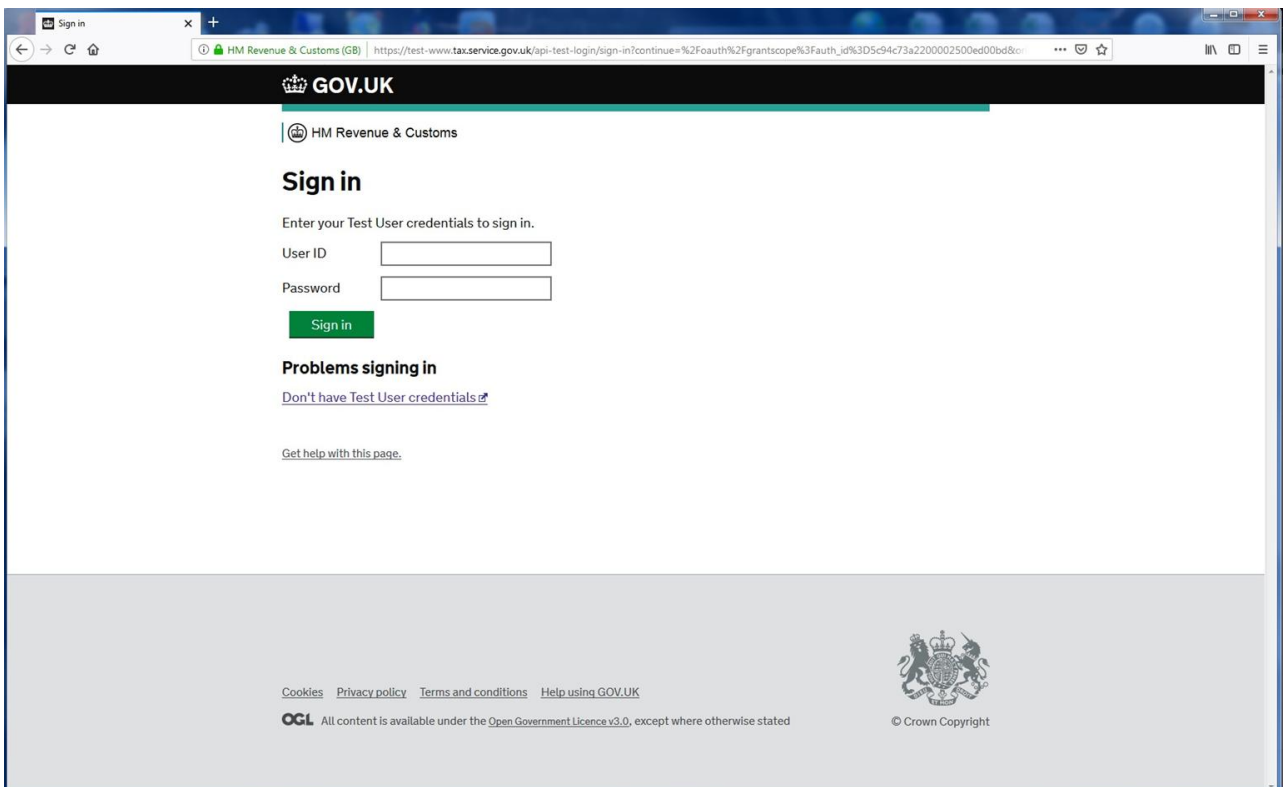
When using the software live, the windows look similar. But of course, there is no user ID or password being displayed. Instead you will get a window that will sit and wait for you give HMRC your authorisation for Adminsoft Accounts to send and receive your VAT data.

So, the first HMRC web page you will see, will look something like the screen image on the next page:

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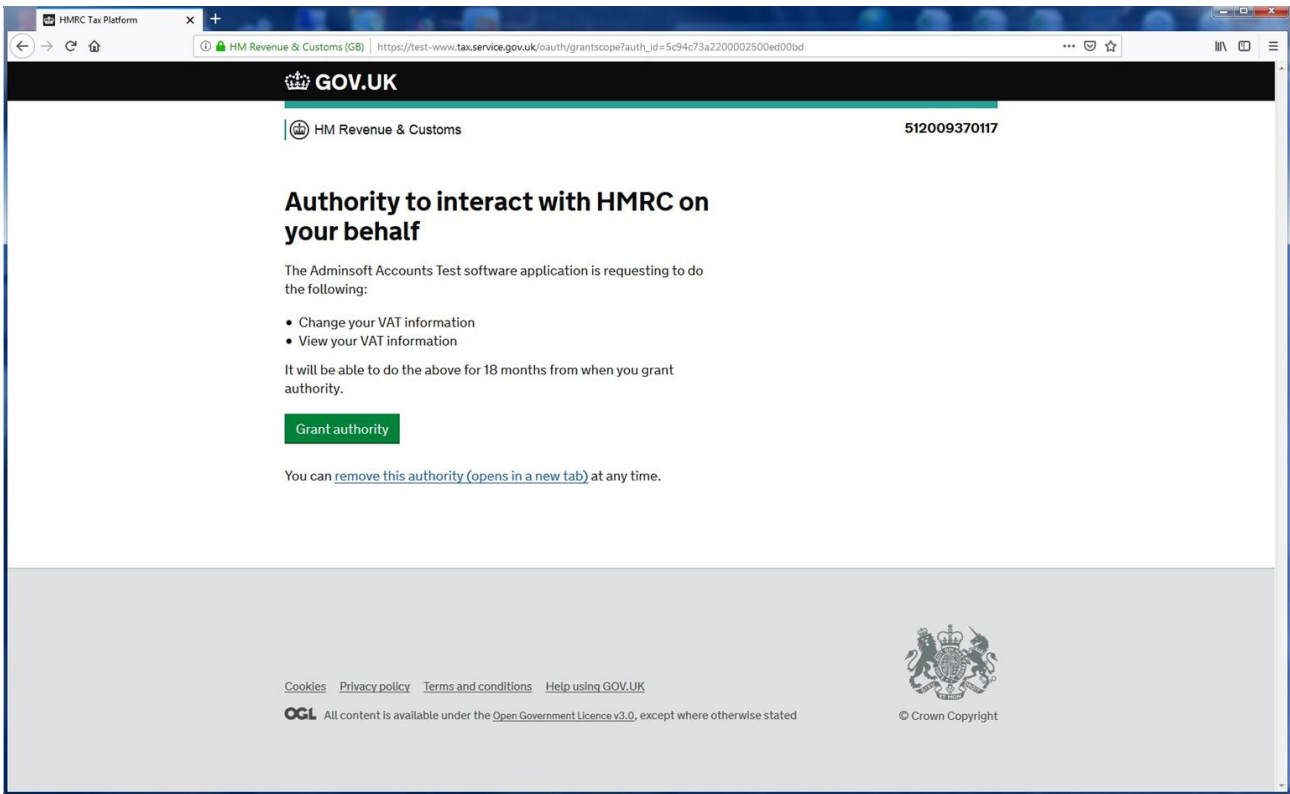


Once you click on **Continue**, the next page will be:



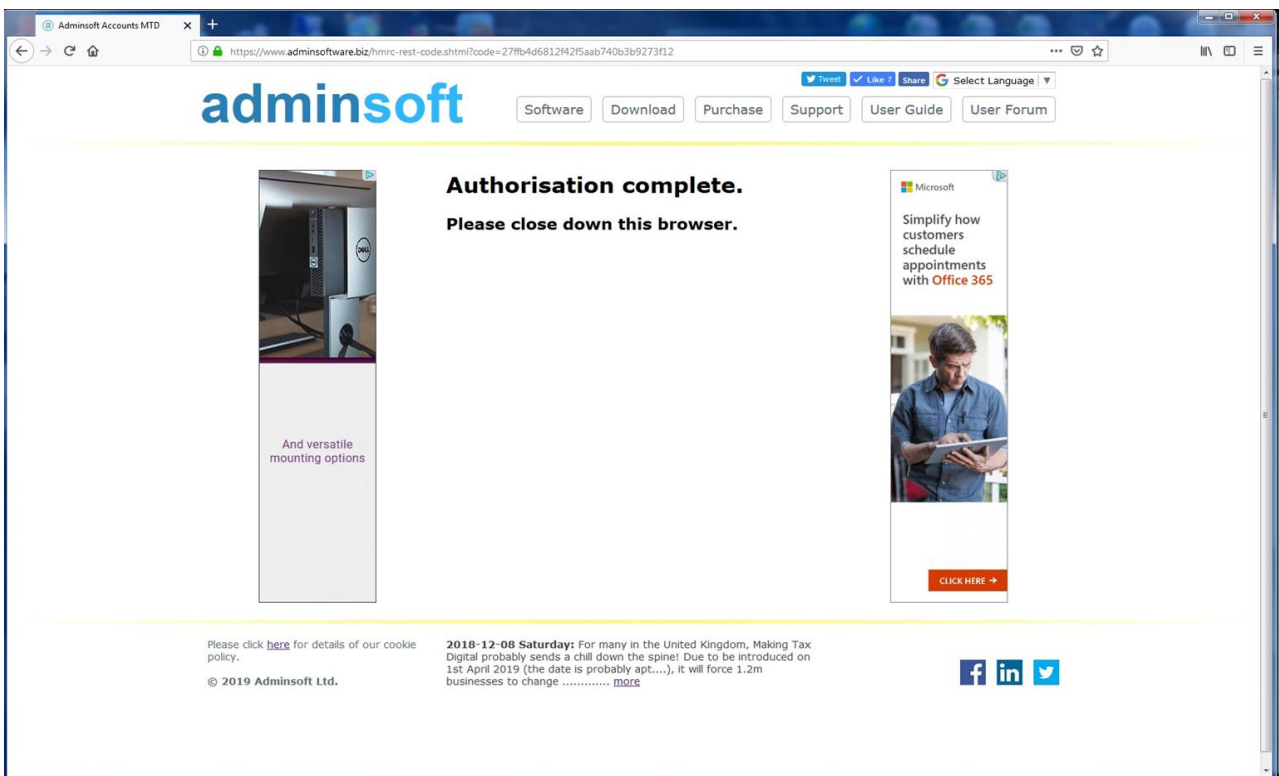
Which asks you for your HMRC User ID and Password (or a test user ID and password if running in TEST mode). When you enter these and click the **Sign In** button, the next page will be:

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This page is asking you to confirm that you are happy for Adminsoft Accounts to send VAT data to HMRC, and to read VAT data from HMRC. Both elements are required in order to file a VAT return, as the software must locate an open VAT return on HMRC's server, in which to deposit the data.

Once you click the **Grant authority** button, the HMRC page closes and takes you to Adminsoft's web site. Which looks something like this:

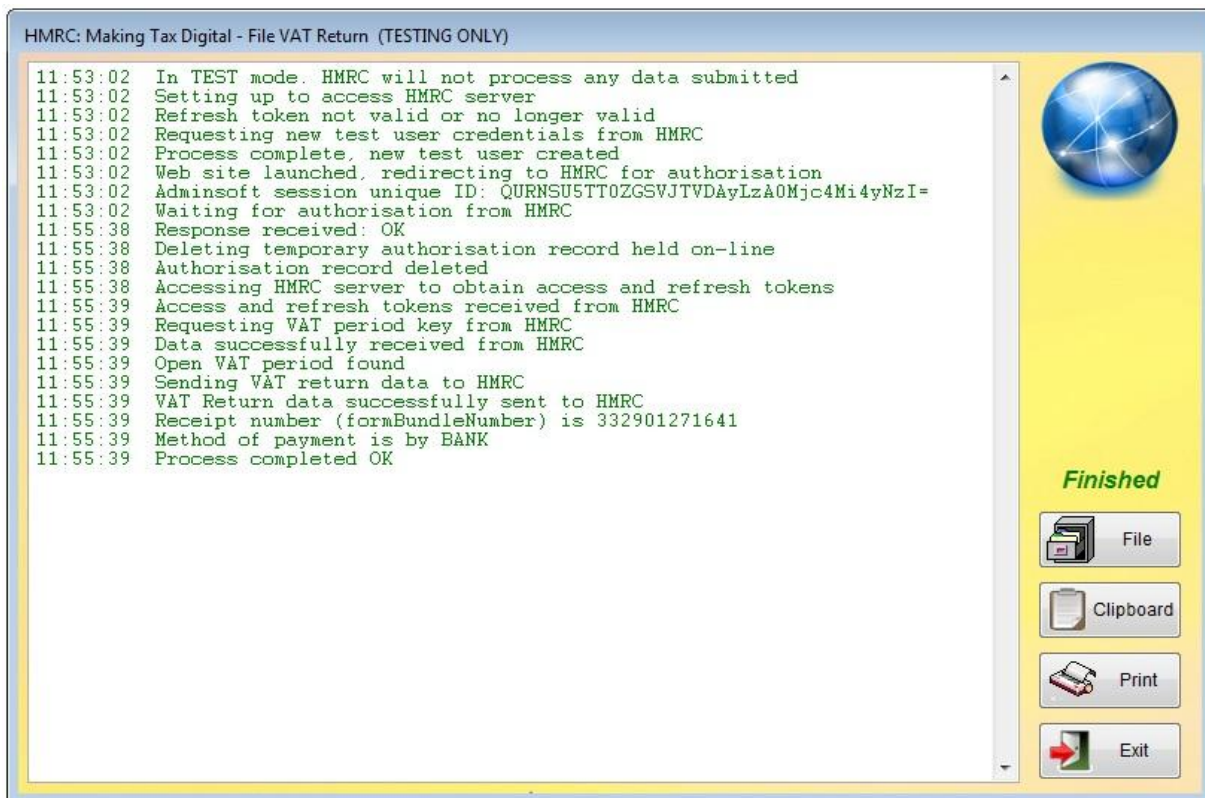


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At that point, you can close down your browser, and click the 'Exit' button in the small window in Adminsoft Accounts that has been waiting for you to complete the authorisation process.

In a live environment, once you have authorised Adminsoft Accounts to send and receive your VAT information, that authority will last for 18 months (in practice, often less). So, you may send five or six VAT Returns before you need to carry out the authorisation process again. In the TEST environment, the test users only last up to 14 days. Though you may not be able to run a test more than once, because once a VAT Return has been submitted, you cannot submit one for the same VAT period end date, even in TEST mode. Though, because of the restriction on VAT period end dates when in TEST mode, you may not bother with a test at all!

When a submission has run OK, and been accepted by HMRC, the window will look like this:

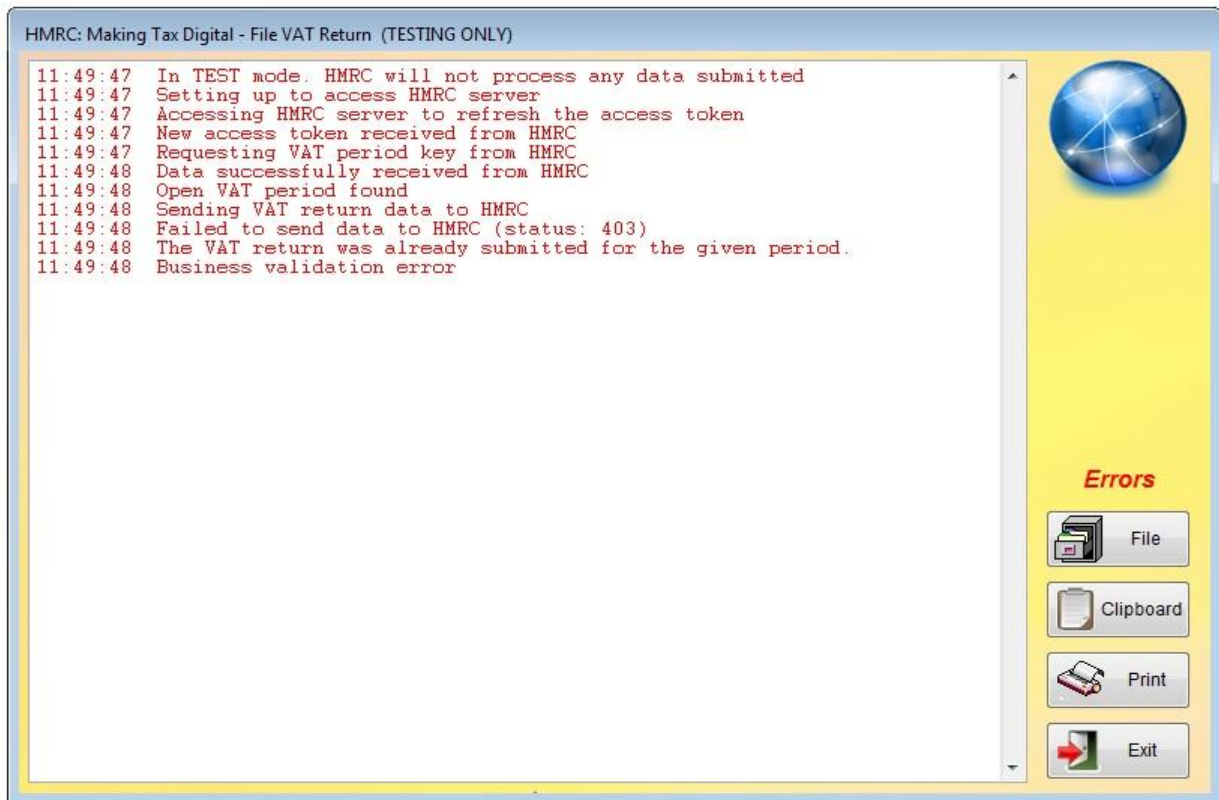


As you can see, the commentary is all in green, and to the righthand side it says '**Finished**'. The end line in the commentary says '**Process completed OK**'. So, all is good. You can click the 'File' button and output that commentary to a file if you wish, or use the 'Clipboard' or 'Print' buttons to output it a different way. Though this commentary will be saved anyway, and can be recalled at any time. So, you don't have to make a copy here. Things to note, are the '**Receipt number**', which is a unique reference given by HMRC for this submission, and useful if you need to query it with them. Also, the next to last line, in this case '**Method of payment is by BANK**', which indicates your payment method. This is also provided by HMRC, and I have to admit, just saying 'BANK' could mean bank transfer or direct debit? So, it's a bit vague.

When you click the 'Exit' button, you will be back in the VAT Period End window. If the submission was successful, we strongly recommend you then click the '**Run VAT Period End**' button straight away. To avoid the risk of any backdated transactions being entered in between you submitting your VAT figures to HMRC and then running your VAT period end.

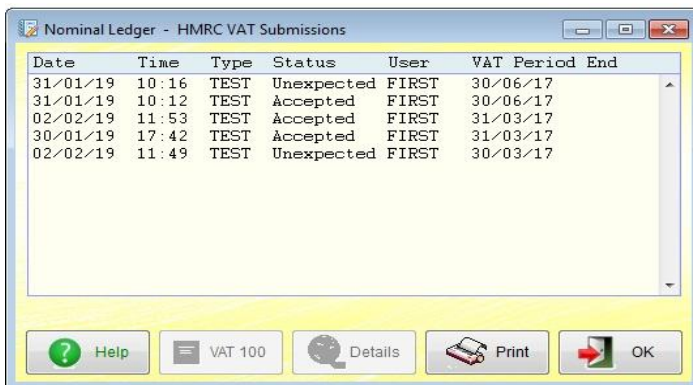
However, if a submission was not successful, the commentary will turn red, and the window will look something like the next screen image:

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By turning red, you can see at a glance that something went wrong. It may be something technical, such as your Windows firewall or anti-virus software getting in the way, and preventing the communication. Or, as in this case, it was a processing error. The next to the last line explains exactly what's happened, 'The VAT return was already submitted for the given period'. So, it's saying I've tried to send the same VAT return twice. The details of this submission will still be stored in the software. So, if you're struggling to get it working for any reason, you can re-visit any submission, successful or failed, and see what happened. From v4.195 there is a **Help** button (not visible in the above example, as it's from an older version of the software) that explains what some of the errors and issues may mean, and how to resolve them. Also, see the section below titled 'When things go wrong'.

The option to view previous submissions is 'List VAT Submission to HMRC' and is in the 'Lists' section of the Nominal Ledger menu.



As you can see, my submissions don't make much sense, as I've got two listed as being for VAT period end 31/03/17 which have been accepted. In practice, you wouldn't see that!

The submissions are listed in '**VAT Period End**' order, with the most recent period end at the top. If you select a submission, you can click the '**VAT 100**' button to see the VAT figures it sent or intended to send

to HMRC. If you click the '**Details**' button, then you will see a window very similar to the two windows above, displaying the commentary for that submission.

There is one last thing to discuss when it comes to MTD for VAT. That is, MTD isn't just for

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sending data to HMRC, it can also retrieve data. In the 'Lists' section of the Nominal Ledger menu, you will find an option '**List VAT data held by HMRC**'. If you select this, select a range of dates (bottom left corner) and then click the '**Load Data**' button, you'll end up with something like this:

Prd End	DueDate	Status	Amount Due	Total Sales
31/12/17	07/02/18	F	0.00	0.00
30/09/17	07/11/17	F	0.00	0.00
30/06/17	07/08/17	F	844.48	4,583.00
31/03/17	07/05/17	F	0.00	0.00

Received	Payment
12/09/17	5.00
	91.00
12/03/17	1,000.00
11/03/17	50.00
11/02/17	5.00

Over the last 12 months:
Total amount due: 475,380.38
Amount outstanding: 474,210.38

Click here to login to your HMRC tax account (opens in your default browser).

Data last updated: on 11/09/19 at 12:23:12

Buttons: Update Data, Help, VAT Return Details, Print List, OK

As my system is still running in TEST mode, this is showing test data generated by HMRC. Although you can see details of a VAT Return I submitted earlier. If I select it, and click the '**VAT Return Details**' button, the details for all nine boxes of the VAT 100 form will appear (the figures will have come from HMRC, as in the figures they received, not the VAT figures Adminsoft Accounts has stored itself). Note: being test data, they don't make any sense when compared to the '**Payment History**' section. The figures will make sense when running it live. I hope!

The downloaded information is saved. So, when you re-visit this option, it will be displayed straight away. Click the "**Update Data**" button to bring the information up to date. This does not replace the information displayed, but does actually update it. So, over a period of time, the information builds up.

Only VAT information submitted via the Making Tax Digital system will be available in this option. Previous VAT returns entered via HMRC's web site or via Adminsoft Accounts (using the old XML method of submitting VAT returns) will not be available.

When things go wrong

If you're making an MTD VAT submission for the first time, it will always display HMRC's web site in order for you to log in using your HMRC account User ID and password. Sometimes, this doesn't happen. You may see an Adminsoft web page saying that it's forwarding to HMRC's web

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site, but nothing happens. This may be due to having turned off Javascript in your browser. Which is unlikely, as a great many web sites wouldn't work properly without it. What is more likely is your default browser is Internet Explorer. Which for reasons I don't understand, often doesn't work here (although Adminsoft Accounts uses it to display web pages within the application). Try using Chrome or Firefox, which ever one you select, you will need to set it as your default browser. Each browser has an option within it to do this.

Other problems usually involve the submission generating an error code:

Error Code	Description
400	<p>VAT registration number is unknown. You may have miss-typed the registration number, or entered a registration number of another business.</p> <p>This error generally means some data element is invalid. Which can include the VAT period end date. Though it's very unlikely this would be invalid. It can also include invalid numbers within the VAT return itself. Such as the totals in boxes 3 and 5 not balancing. As the balancing is done automatically by the software, again this is also very unlikely.</p>
403	<p>Maybe: Adminsoft Accounts is not authorised to access your VAT data. If this happens, select Setup -> Nominal Ledger -> Settings Then click the 'Re-authorise MTD VAT Access' button, then click the 'Clear Down Token & Exit' button. Then trying the submission again. This time it should take you to HMRC's web site to authorise Adminsoft Accounts.</p> <p>Maybe: you are trying to submit a VAT return for a VAT period that has already been submitted.</p> <p>Maybe: you are trying to submit a VAT return before the VAT period end date.</p>
404	<p>Not found. Adminsoft Accounts has requested data from HMRC's server that it does not have (this is very unlikely). It can also occur due to an issue with HMRC's server. Try again in 10 minutes.</p>
500 to 599	<p>Internal Server Error. Usually happens when Adminsoft Accounts is unable to get any data from HMRC's server, such as a VAT Return. It may be issues on HMRC's server, or it maybe that while you are signed up for MTD VAT, HMRC's server is not fully aware of that yet. If after receiving your email from HMRC that you are now authorised to make MTD VAT submissions you receive this error, wait 72 hours. If after that time you're still receiving this error, it needs to be reported to HMRC.</p>

Errors that don't have a specific error number:

“Failed to obtain access and refresh tokens?” This can occur where there is an issue with the MTD VAT registration process. You may need to contact HMRC to resolve this one.

“Process failed due to error 1429 OLE IDispatch exception code 0 from msxml3.dll“ This can happen if Internet Explorer is not available. Although your default browser (which needs to be Chrome or Firefox) is used to display HMRC's web site, when actually sending and receiving data from HMRC's server, Adminsoft Accounts requires Internet Explorer to be present (even if it isn't

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normally used by the person using the PC). Msxml3.dll is the Microsoft program that is used to access MRC's server from within Adminsoft Accounts, it might be this has been disabled (this can be done from within most browsers). I've only come across this as the cause of a problem on one occasion.

Anti-virus software and firewalls (often bundled together into the one product) can also prevent Adminsoft Accounts from communicating with HMRC's server. It can be seen as 'suspicious' activity. It's important to register the folder the account system lives in (often called 'Adminsoft Accounts') in your anti-virus/firewall software as safe, exempt, or trusted. The terminology varies between different anti-virus products. If you can't register the folder, then register the file accounts.exe which lives in the folder. The problem with registering at file level, is that you will have to do it each time the software is updated, as your anti-virus software will detect the contents of the file has changed, and may decide not to trust it.

Under the old XML VAT Return submission system, you could submit a VAT Return for any VAT period end date you wished, and the computer would accept it (though HMRC may complain about it later...). Under MTD, each quarter HMRC will create an 'Open' VAT Return for you on their server, and the VAT Return you're submitting has to have the same VAT period end date, otherwise it will be rejected. Once you've made a successful submission, the VAT Return is then classed as 'Fulfilled'. Nothing can happen to it after that. It is not possible to delete a VAT Return or to submit another one for the same VAT period to update it (HMRC didn't implement these functions).

Making Tax Digital for VAT – Frequently Asked Questions

As from April 2022, all VAT registered businesses needed to submit their VAT return using MTD, and from their accounts system, or from a spreadsheet using bridging software. Initially, HMRC were not going to allow bridging software, but they relented. However, you still need to record all your transactions digitally.

Do all VAT registered businesses have to submit VAT Returns using MTD?

The answer is Yes. I believe there are a few exceptions, but they are rare. The vast majority of businesses now have to record their transactions digitally (which means using a computer or cloud based accounts system), and submit the VAT figures automatically generated from those transactions. The idea behind this, according to HMRC, is that it will reduce the number of errors.

Can I use HMRC's on-line portal to submit my VAT Return?

The short answer is No. I'm afraid not. HMRC's on-line portal is no longer available.

So, I have to use some software to file my VAT return?

Yes, you do. This can be desktop software, such as Adminsoft Accounts, or cloud based software. HMRC did say there will be free software available. Though not from them, they're expecting software developers to provide it. Some developers may provide software free of charge, but usually it'll be limited in some way. Often, it'll be free for the first few months, or something like that. At this time, I believe Adminsoft Accounts is probably the only one that is truly free, with no limitations on things like turnover, and no time out.

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There is another option, and that's to appoint an agent to submit your VAT Returns for you. Most accountants will probably offer this service, for a fee. To get your VAT figures to the agent though, they'll need to be in a spreadsheet (calculated, not manually entered), or output in a file in XML or CSV format or similar. You cannot simply email your agent with the figures. This means you'll still need to use a computerised accounts system.

If your bookkeeping requirements are very modest, you may be able to use a spreadsheet to maintain your accounts. A number of companies provide spreadsheet templates for this purpose. Though not all may be capable of submitting an MTD VAT Return.

I have to use a spreadsheet to calculate my final VAT figures, what do I do?

In Adminsoft Accounts, it will produce your VAT figures for the period, you will then be able to click a button and output these figures to a spreadsheet. You can run your calculations, and then import the new VAT figures directly out of your spreadsheet back into Adminsoft Accounts for submission to HMRC. This operation is still MTD compliant. Provided the VAT figures have actually been calculated, and not simply manually tweaked.

I run a shop/cafe, do I have to record every single transaction?

No. The exception to the 'record every transaction' rule are retail environments. It will be acceptable to keep a record of daily gross takings. Which most retail businesses probably already do anyway. Further details can be found on HMRC's web site here: <https://www.gov.uk/vat-retail-schemes> If you use AutoManager or Shop/Cafe Manager in Adminsoft Accounts, these record each transaction anyway.

There is an extensive document on HMRC's web site all about MTD VAT. You can find it here: <https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat> It's pretty big!

The EC and VAT – EC Sales List & Intrastat

We've already covered 'Reverse Charging', and the use of VAT codes for sales and purchases to/from other countries, including EC member states. But the EC being what is it, there are lots of other complications! All Adminsoft Accounts can do is provide the basic tools for you to use as necessary.

If you're in Northern Ireland and sell goods and/or services to other EC member states you will probably need to submit an **EC Sales List** (that's what it's called in the United Kingdom, other member states will have something similar). In the Sales Ledger menu, in the Reports section, the last three options deal with EC Sales List. **Included is also the ability to submit an EC Sales List to HMRC directly from Adminsoft Accounts.**

'**EC Sales List**' allows you to create an EC Sales List. It will build up a list automatically, but you may need to edit, delete, and/or add some information in order get it right. This is because the EC Sales List has to have a separate entry for goods, services, and triangulation. By use of the Sales Analysis codes in invoices and credit notes, it knows which items are goods and which are services, but it does not know if any triangulation has been involved. This is where you may need to adjust

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the figures. Once you are happy with the figures, you can click the '**Send to HMRC**' button. Unlike the VAT Period End, this will NOT display another window for you to agree the figures, but will launch straight into sending the data to HMRC. If not in TEST mode, after a successful submission, it will automatically save the EC Sales List and exit the window.

The login details for submitting an EC Sales List are in the Sales Ledger Settings option.

You don't have to send the data from Adminsoft Accounts. You can file it manually if you wish, and click the '**Save and Exit**' button when done. It's important to save the EC Sales List, so you can reference it at a future date should it be necessary, and also it will automatically set the correct dates for the next time you enter the EC Sales List option.

'**Previous EC Sales Lists**' will display a list of EC Sales Lists that have been saved, regardless of whether they were sent from within Adminsoft Accounts or not. When you look at the details of a previous EC Sales List, if it was submitted to HMRC directly from Adminsoft Accounts, you will be able to view the details of that submission.

'**List EC Sales Submissions**' does exactly that. Assuming some have been submitted to HMRC directly from Adminsoft Accounts.

Another VAT/EC complication is **Intrastat** (in Northern Ireland, most EU countries will have a similar system). Each type of goods or service you buy or sell from/to other EU member states has a CN code (Combined Nomenclature Code). This can be an administrative nightmare! The way it's handled in Adminsoft Accounts is to use the Sales and Purchase Analysis codes. Each code can be given a CN code. The analysis codes are of course used when you enter sales or purchase invoices, and so the information required for Intrastat is automatically built up. At the bottom of both the Sales Ledger and Purchase Ledger menu's, the 'Reports' section, there is an 'EC Intrastat' option. You simply need to fill in the dates you require for the report. There is no processing involved, so the report can be run as many times as you wish. Please be aware though, unlike the VAT Period End reports, if any transactions are entered late and are missed off the report you have just generated, they will NOT appear on a subsequent report (unless it's for the same period).

Intrastat

If your sales into the EU, or purchases from the EU exceed a certain value (at the time of writing, September 2022, £250,000 for sales and £500,000 for purchases, in one calendar year, but please check as they do change), you will need to file Intrastat reports.

Note: Due to Brexit, within the United Kingdom, only Northern Ireland will continue to submit Intrastat as it remains in the EU Single Market for goods.

Intrastat is about recording the movement of goods, not services. The 'CN Code' is used to identify various types of goods. In Adminsoft Accounts, the Sales Analysis and Purchase Analysis codes can be used to identify goods when entering sales or purchase invoices. There are a great many of them, and Adminsoft Accounts does not maintain a list. You will need to search the internet to find a list, and then set up Sales Analysis and Purchase Analysis codes for the goods you handle, or are likely to handle. Note, as Adminsoft Accounts does not keep a list of CN Codes, it cannot validate the CN Code you enter. So, care must be taken to enter the correct codes.

Whether a transaction appears in an Intrastat report depends on the country code of the

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customer/supplier account. The account must be set to the correct country, and the input field 'EC ?' for that country code, in the country maintenance option (Setup → Miscellaneous → Countries/States), must be set to 'Y'. Adminsoft Accounts keeps a list of countries, along with some basic details of each country, including whether it's part of the EU. So, when you add a country to your list of countries, the necessary details should appear.

In the 'Reports' section of both the Sales Ledger and Purchase Ledger menu, there is an option 'EC Intrastat'. In the Sales Ledger, this will be post fixed with '(Despatches)', and in the Purchase Ledger '(Arrivals)', because that's the terminology used by HMRC to describe sales/purchases to/from the EU. The reports will show the value (excluding any VAT) of goods, the quantity, country code (ISO3166 3 character code), and a description of the goods – all taken from the invoice, for any date range you wish. If invoicing from stock, and the stock item record contains a weight, the total weight will be shown in the report. This only applies to purchase invoices if they are associated with a Purchase Order, otherwise they do not link to Stock Control. So, you would have to enter any weight manually. **Unlike VAT100 and EC Sales List, there is no processing involved, and no facility for submitting an Intrastat report to HMRC from within Adminsoft Accounts.**

Please be aware, that as there is no period end processing, any invoices entered into the accounts system late could get missed off an Intrastat report. So, you need to manually make a note of any transactions that should have been on the last Intrastat but were missed off due to be received too late, and then add them on to your next report. But, check with HMRC on how to handle omissions.

General Comments and Options

Both customer and supplier accounts can have default VAT codes (this feature is not available when the accounts system is running in Basic mode). If you set a default code in an account, it will be used in all transactions relating to that account. Even if you're raising a Sales Invoice from stock, any default VAT code on the customer account will override any default VAT code on the stock item.

Note: if an account is given a default VAT code, and the accounts system is then used in Basic mode, although you will not be able to see the default VAT code in the account details, it will still be used. This feature is to ensure integrity where you have some users using the accounts system in Advanced mode and some in Basic mode.

You can also setup the accounts system so that all new customer or supplier accounts automatically use a default VAT code. For sales accounts, click on 'Setup' on the top menu bar, go to 'Sales Ledger' and select the 'Customer Defaults / Mandatory Input' option. You can set up a number of other defaults in this option, and also tell the system that some input fields are mandatory. Ie, they have to be filled in before the account can be saved. There is a similar option for Purchase Ledger.

When calculating VAT on a Sales Invoice, Purchase Invoice, or when generating a sales receipt in the Cafe/Shop Manager module, Adminsoft Accounts adds up the total value of all items that use a particular VAT code, and then works out the VAT. This is the preferred way of doing it by the tax authorities in most countries. The alternative (and some other accounting systems do this), is to work out the VAT on a per line basis. But this can lead to rounding errors, particularly where there are low priced items. For this reason, you may sometimes receive a Purchase Invoice and discover Adminsoft Accounts has calculated a slightly different VAT figure.

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WARNING: It is YOUR responsibility to ensure your tax filings are correct. We have provided the tools to help you, but cannot guarantee that you will use them correctly, that the software will handle the figures correctly, or that any of the information we present to you both here and in the software is correct. It's vital that you check the figures very carefully, and do not assume the software is correct. It may well not be. Adminsoft Ltd. and any of its associates or software developers cannot accept any responsibility whatsoever for the accuracy of the information presented in this guide or by the accounts system.

End of document