

Making Tax Digital for SAP systems

E-book

Why, when and how to update your SAP system to comply with MTD?

If you are looking for the answers to the below questions you are not alone.

- What are the new MTD requirements and deadlines?
- What does MTD mean for my SAP system?
- What kind of software do I need?
- What is the price tag?

Or perhaps you are researching several different options and would like to review Absoft's MTD solution?

You might even have a solution in place already but are aware it doesn't comply with the new requirements of HMRC?

Many businesses have started preparing for the new requirements and deadlines in 2021.

In this e-book we will answer all those questions and also walk you through what our compliance experts recommend as the best solution for simple, seamless integration to send your VAT returns directly from SAP to HMRC so you can achieve the benefits to your business in full.

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1. What is the Making Tax Digital legislation?

For millions of businesses across the UK the organisation of digital records and subsequent VAT reporting may have felt like an ever put-off New (financial) Year's resolution – but now businesses are required to keep their records and submit their returns to HMRC digitally by law.

The initial deadline of 1st April 2019 has been postponed a couple of times, however HMRC's has reported that a lot of businesses have already started considering or implementing solutions.

Our clients' adoption rate of Absoft's MTD solution has also been considerable, with more clients implementing our MTD solution before the new deadline.

The regulation further states that a business which is in scope for MTD must use functional compatible software (like SAP ERP) to meet the specific requirements. We will explain in further detail what functions the compatible software must include and what solutions are available to you for your SAP system later in the chapter "What does MTD mean for your business and your SAP system? "

In a nutshell, the Making Tax Digital legislation makes the move to digital VAT returns mandatory. This legislation is a step towards the government's ambition to become one of the most digitally advanced economies in the world.

2. Who does Making Tax Digital apply to?

The vast majority of VAT registered businesses with a taxable turnover above the threshold of £85,000 per year will be required to keep all tax records digitally and submit their VAT return to HMRC via a compatible bridging software.

For VAT-registered businesses with a taxable turnover below £85,000 MTD rules will only apply for their first return starting on or after April 2022. If you are below that threshold joining is voluntarily and some income tax rules would apply in several years.

HMRC has published several elaborate research reports on MTD readiness and impact for various business sizes.

[Speak to our team about your situation and we will happily walk you through the legislation and what it means for your business in particular.](#)

If you prefer to do a bit of research on your own, you can find the resources and information shared by the HMRC [here](#).



3. When is the new deadline for Making Tax Digital?

When do you need to start preparing?

Two years ago, HMRC announced that the end of paper tax records and returns is near and that businesses need to gear up for the change.

The law came into effect on 1st April 2019, however, the government then extended the deadline to 1st October for certain types of businesses including those in the public sector and those with complex VAT returns. Earlier in 2020 HMRC has postponed the previous deadline by one year due to the Coronavirus outbreak.

As expected, a failure to comply with the deadline will risk a late VAT return submission and HMRC will be in touch!

HMRC is also reviewing and introducing some potential changes to the penalty system for late submissions due to the introduction to Making Tax Digital. However, we recommend you start preparing for the switch right away and start reaping the awards of effortless, simple VAT returns now.

In March 2020 HMRC announced that the deadline has been postponed by one year due to the Coronavirus outbreak .

VAT periods beginning on or after 1st April 2021 are now to be submitted digitally for VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000).

The Making Tax Digital legislation makes the move to digital VAT returns mandatory.

We recommend you start preparing for the switch right away and start reaping the awards of effortless, simple VAT returns now.

4. What does MTD mean for your business and your SAP system?

Making Tax Digital is the first step forward into what will no doubt be an ever-evolving digital economy. The UK government's aim is to transform tax administration and provide businesses with a modern digital experience, which will:

- Be more effective: Streamlining processes for the business and the government.
- Be more efficient: With a higher accuracy in digital records there is less chance of back-and-forth with HMRC about your tax return.
- Reduce scope for error by making it easier for taxpayers to get their tax right: Keeping records digitally will mean a higher degree of accuracy when submitting your VAT return (so – more chance of submitting it right the first time).

The MTD regulation requires businesses which are in scope for MTD to use **functional compatible software** to meet the specific requirements. Functional compatible software means a software which can connect to HMRC systems via an **Application Programming Interface (API)**. The functions of the compatible software must include:

1. Keeping and preserving records in a digital form.
2. Creating a VAT return from the digital record held in functional compatible software and providing HMRC with this information digitally.
3. Providing HMRC with VAT data on a voluntary basis.

Further specifications of the regulations around digital record keeping outlines the information a business needs to keep and preserve digitally including:

- Business name, principle place of business and VAT registration number
- The VAT account that each VAT registered business must keep, by law
- Information about supplies made and received

Businesses will need to preserve digital records in functional compatible software for up to 6 years.

A lot of SAP users should already have most of the above sorted, however, it is worth keeping in mind if your data is stored elsewhere!

5. How to submit your data directly from SAP to HMRC?

It is not uncommon for businesses to keep and maintain records digitally, and file VAT returns using some type of bridging software. However, there are specific requirements for this process under MTD.

Now the software you use must be capable of keeping and maintaining the records specified in the regulation, so that historical data can be accessed and a digital trail is visible throughout the process.

This means that if your records and information maintained in this digital environment are up to date the software should be able to prepare your return for you and communicate directly with HMRC via API.

[Our solution for example links your VAT data currently held in SAP directly to HMRC](#), allowing you to submit your VAT return at the touch of a button, with simple and straightforward navigation and no cloud or middle-ware involved.

We recommend that customers choose an SAP specific software that keeps all your VAT data in one place, without the need to export to Excel or another location before submission of the return.

The Absoft MTD Solution for SAP is HMRC approved and we keep it fully updated, so you are safe in the knowledge that should the legislation change, your software will always be compliant.

The software you use must be capable of keeping and maintaining the records specified in the regulation, so that historical data can be accessed and a digital trail is visible throughout the process. Be careful not to go ahead with a solution that won't comply fully with the new requirements.

6. How can you make best use of SAP tools to ensure your tax processes are efficient and compliant?

First and foremost, if you are even in the slightest doubt that your finance and VAT processes need review, we recommend you complete this as soon as possible to ensure that best practice is in play in your organisation before implementing an MTD solution. Absoft can provide a review service to assess your current VAT postings in your SAP and to suggest improvements where appropriate. [Please get in touch with us for more information.](#)

The Making Tax Digital legislation has and will continue to encourage many finance departments to take a step back and assess their record keeping and VAT return processes. Whether your data is kept in SAP itself or in other ancillary systems and spreadsheets, one area that is key to ensuring MTD compliance is having reporting which is set up to provide the necessary VAT information to HMRC.

7. What is the Absoft MTD solution and how exactly does it work?

When we first started talking about MTD with our customers several key requirements were shaped as an absolute must for our solution - Keeping the cost low; no middle-ware involved; no cloud interface.

Our clients did not want to have a large project with unnecessarily big software or middleware involved. Following this demand to help our clients keep their VAT returns as simple and seamless as possible, we've created the Absoft MTD solution which:

- **Links your VAT data currently held in SAP directly to HMRC that uses the data kept in the standard SAP report.**

We have enhanced functionality that is already available in your SAP system for VAT, by adding a new screen that allows you to report directly to HMRC using this data.

So long as all your VAT transactions are held in this standard VAT report our solution will work allowing you to submit your VAT returns straight from the data source. This eliminates the need (and potential error that comes with) duplicating the data elsewhere or create further custom reports.

- **Let's you submit data at the touch of the button...**

We have developed the solution with simple and straightforward navigation as you can see in our DEMO which can be delivered either in the standard SAP GUI or SAP Fiori if you wish.

See the solution in action:
[Click here to watch the DEMO webinar](#)

- **...via an approved, direct and secure API link**

The process is also very secure. We create a new API key, unique to your system, giving your own secure connection to HMRC. This means the connection doesn't come out of any Absoft system or cloud environment. Not shared with anyone else. It is embedded in your SAP and goes directly to HMRC.



The solution sits on top of your SAP and does not require any middle-ware or cloud element.



Meaning - there are no additional license costs and additional systems in your SAP estate.



And it ultimately allows you to submit your VAT returns in a safe, compliant way, at the touch of a button.

More benefits of the Absoft MTD solution

- No middle-ware or cloud involved
- No extra licenses required

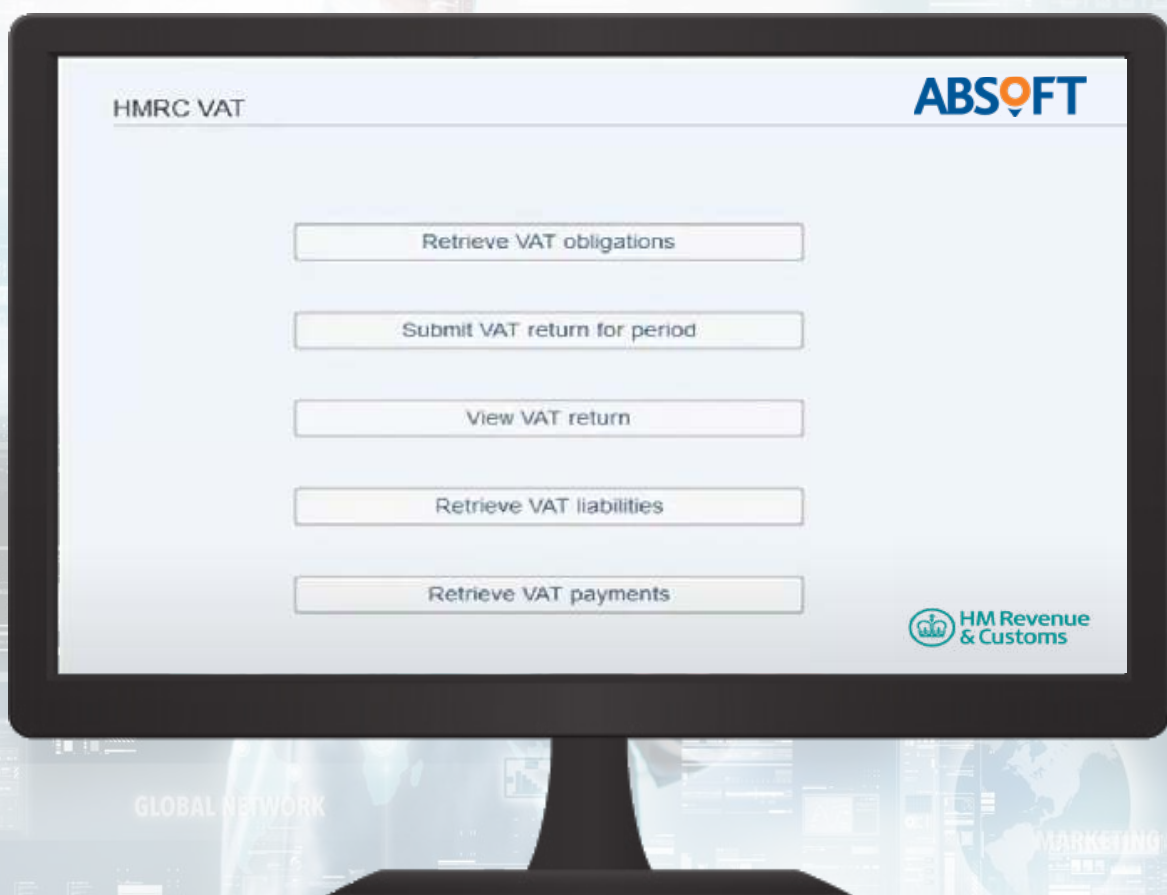
The solution sits on top of your SAP and does not require any middle-ware or cloud element. Which means there are no additional licence cost and no additional systems in your SAP estate which ultimately keeps the cost down while adhering to all legislation requirements.

- Fully compliant and futureproof

The Absoft MTD Solution for SAP is HMRC approved and it is maintained and updated by Absoft, so you are safe in the knowledge that should the legislation change, your software will always be compliant. Not just for the current VAT requirements but for the whole cycle of Making Tax Digital with any future changes.

- Quick deployment into your system due to a configuration we have made allowing for a fast installation

Contact us to start your Making Tax Digital transformation by getting the best out of your SAP data and tools.



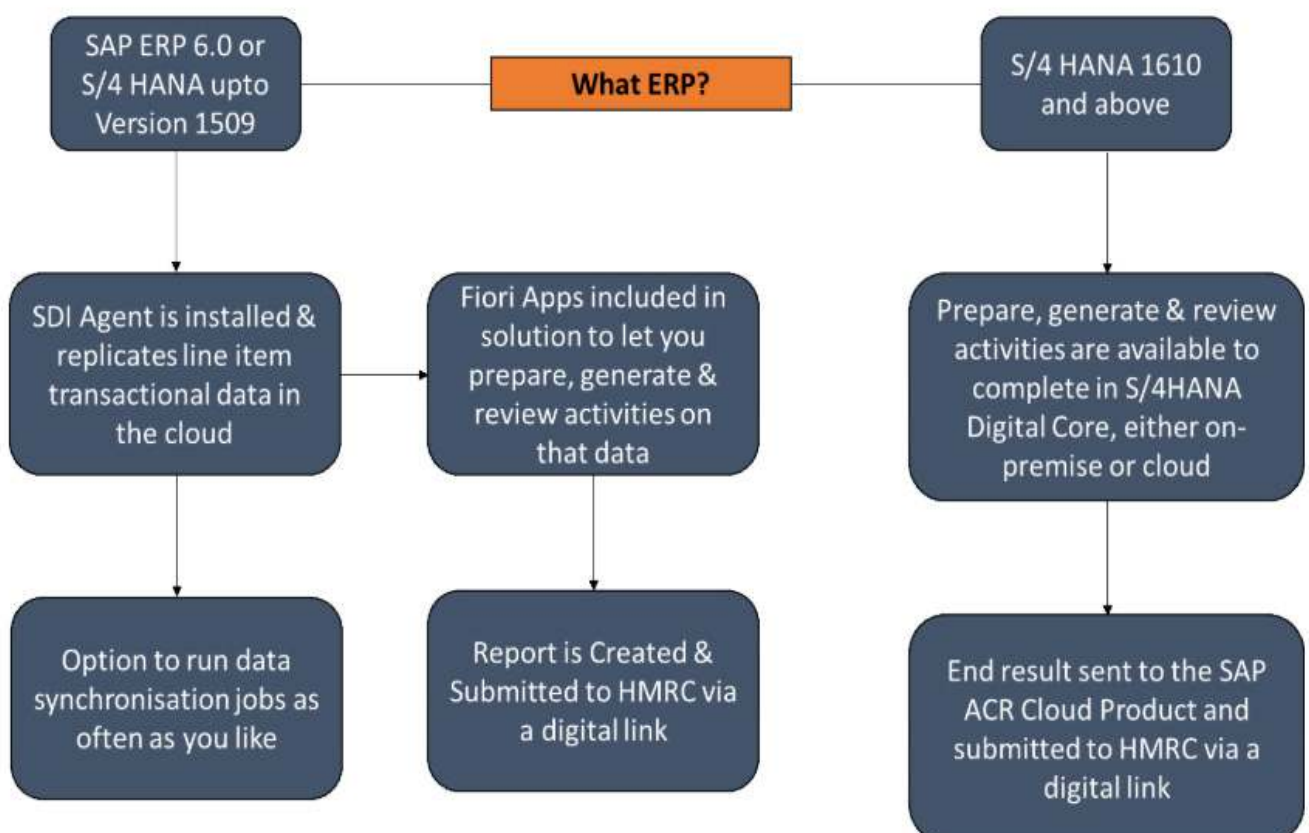
8. Other options – Using SAP ACR; Pros and Cons

The SAP ACR Service enables you to generate and submit statutory reports that contain indirect taxes (such as value-added tax) to HMRC. It has pre-configured templates for MTD already packaged as part of the solution, giving peace of mind that the information you provide is relevant and correct.

It is an independent product built on the SAP Cloud Platform and the solution uses SAP Fiori App technology to provide a much-needed user-friendly experience for completing VAT tasks and returns.

How Does SAP ACR Work for Me?

For those on SAP ERP 6.0 Enhancement Pack 6 and above, the link operates via a two-way interface which records what items have already been submitted to avoid duplication. Enhancement Pack 5 and below operates via a 1-way link so care should be taken not to submit the information twice.



In both instances, the product handles the setup of logging into the HMRC site under the company's account in a Fiori app that sends you to the government site, providing a streamlined digital link between reporting and submitting the data.

There are a couple of technical elements to consider before installing the solution, as mentioned above with the SDI agent installation and scheduling any data synchronising jobs.

Functionally, ensuring your current VAT data is correct prior to using the cloud tool is highly beneficial as is a good understanding of the software and Fiori apps in order to turn the transactional data into a compliant report.

Absoft can assist customers to understand the software and can help with checking your current data to ensure that everything is captured prior to creating reports.

We can also help with the technical pre-requisites to make sure you have everything you need in place to use the cloud solution.

It is worth bearing in mind that there is a licence cost associated with the solution for the use of the SAP Cloud Platform and Fiori apps. To get accurate pricing for your current set up, we would recommend getting in touch with your SAP VAR provider or SAP Account Manager.

While the SAP solution will adhere to the MTD legislation, we have found in our experience that there are high implementation and licence fees associated with acquiring the solution.

It is certainly of benefit to those companies who have to use the Localisation Hub to complete tax reporting in different countries, however for those who just have to report to the UK, a simpler software may be the most cost-effective solution.

SAP in Full Compliance

MTD is only one of our offerings in the area of Compliance. We also help businesses with general compliance reviews, GDPR health checks, HR/Payroll compliance.

Our Compliance team is here to help ensure your SAP system is aligned with UK legislation. Contact us for a free no obligatory consultation.

Why Absoft?

- Absoft have delivered SAP services since 1991. With over 600 years of combined experience, we offer access to the most knowledgeable minds in the industry.
- We make it our mission to fully understand your business and to become an extension to your internal team. Our dedicated SAP Consultants will know you, your business and your systems inside and out. And you always know who is looking after your system.
- Absoft has met the rigorous requirements and highest standards in achieving SAP Partner Centre of Expertise and holds ISO 27001 & ISO 20000 certificates.

Contact us for more information:

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Absoft's Making Tax Digital Solution



Links your VAT data currently held in SAP directly to HMRC that uses the data kept in the standard SAP report



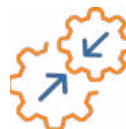
Allowing you to submit your VAT returns straight from the data source



At the touch of a button, through simple straightforward navigation



Eliminating the need for duplicating the data elsewhere or create further custom reports



Via an approved, direct and secure API link, embedded in your SAP and going directly to HMRC



Without any middle-ware or cloud involved



No additional licence cost and no additional systems in your SAP estate



Is fully compliant and future-proof - you won't have to update it or worry about it



Quick and seamless deployment in your system