



## Making Tax Digital – How to use a digital link

Author: Annie Meek  
Date: 04/01/2021  
Doc Version: 1.0.0

**Advanced Computer Software Group Ltd.**  
The Mailbox, 101 Wharfside Street, Birmingham, B1 1RF  
t: 0330 343 8000 (+44 330 343 8000) | f: +44 (0) 1932 584001

[www.oneadvanced.com](http://www.oneadvanced.com)



Copyright © Advanced Computer Software Group Ltd 2021

This document contains confidential and / or proprietary information. The content must not be disclosed to third parties without the prior written approval of Advanced Computer Software Group Limited or one of its subsidiaries as appropriate (each referred to as "Advanced"). External recipients may only use the information contained in this document for the purposes of evaluation of the information and entering into discussions with Advanced and for no other purpose.

Whilst Advanced endeavours to ensure that the information in this document is correct and has been prepared in good faith, the information is subject to change and no representation or warranty is given as to the accuracy or completeness of the information. Advanced does not accept any responsibility or liability for errors or omissions or any liability arising out of its use by external recipients or other third parties.

No information set out or referred to in this document shall form the basis of any contract with an external recipient. Any external recipient requiring the provision of software and/or services shall be required to enter into an agreement with Advanced detailing the terms applicable to the supply of such software and/or services and acknowledging that it has not relied on or been induced to enter into such an agreement by any representation or warranty, save as expressly set out in such agreement.

The software (if any) described in this document is supplied under licence and may be used or copied only in accordance with the terms of such a licence. Issue of this document does not entitle an external recipient to access or use the software described or to be granted such a licence.

The development of Advanced software is continuous and the published information may not reflect the current status. Any particular release of the software may not contain all of the facilities described in this document and / or may contain facilities not described in this document.

Advanced Computer Software Group Limited is a company registered in England and Wales with registration number 05965280 whose registered office is at Ditton Park, Riding Court Road, Datchet, Berkshire. SL3 9LL.

A full list of its trading subsidiaries is available at [www.oneadvanced.com/legal-privacy](http://www.oneadvanced.com/legal-privacy)

# Contents

<b>Introduction .....</b>	<b>5</b>
What is MTD? .....	5
<b>Making Tax Digital - Digital Links .....</b>	<b>6</b>
What is a digital link? .....	6
Using a digital link in a spreadsheet: .....	7
<b>Summary .....</b>	<b>12</b>
Useful VAT resources from HMRC: .....	12

## Introduction

### What is MTD?

As of April 2019, HMRC introduced the Making Tax Digital initiative. This meant that VAT registered businesses with a taxable turnover above the VAT registration threshold (currently £85,000) would need to submit VAT Returns digitally using a compatible MTD software.

This is where the **Business Tax Portal** comes into play.

Businesses were given a 12 month 'soft landing period' to adjust into Making Tax Digital for VAT and ensure they comply with the MTD requirements.

Due to the coronavirus disturbance, HMRC have extended the 'soft landing period' for all VAT registered businesses using MTD. This is now dated at April 2021.

We do recommend however ensuring your business is prepared for MTD as soon as you can, so you are familiar with the rules and process prior to the deadline.

---

Put simply, if you are over the £85,000 threshold and use spreadsheets to manage your account – or hand over paper records to your accountant every year – you will need to adopt a new, MTD-compliant method.

---

You can still use spreadsheets, external accountants/agents and multiple software's for your VAT Returns but you'll need to include a very important addition – a digital link.

We understand the rules for MTD can be confusing, so we've put together this handy guide detailing what exactly is a digital link and how you can make sure you have these digital links in place before April 2021.

## Making Tax Digital - Digital Links

### What is a digital link?

HMRC require you to keep VAT accounting data digitally within a 'functional compatible software'. In our case, this is the Business Tax Portal as it enables you to submit tax returns directly to HMRC using our approved API.

A digital link would be the data transfer between software programs, products and applications electronically. The key thing here is that this data transfer is completed without any manual involvement – once data is entered into the computer, it doesn't get retyped.

Another example of a digital link could be the transfer of data to a tax agent outside of your business, so that they can prepare your VAT return. This might be needed for calculations for partial exemption for example.

A digital link includes linked cells in spreadsheets with the use of a formula – a detailed example of this will be included below.

Here are some of the other examples of digital links accepted by HMRC:

- Emailing a spreadsheet containing digital records so the information can be imported into another software product
- Transferring a set of digital records onto a portable device (for example, a pen drive, memory stick, flash drive) and physically giving this to someone else who then imports that data into their software
- XML, CSV import and export, and download and upload of files
- Automated data transfer
- API transfer

The above list is not complete, so if you do have any particular queries about what digital links your business uses, you can speak directly to HMRC to confirm.

**It is very important to note: HMRC does not consider the use of 'copy and paste' to move information as a digital link.**

## Using a digital link in a spreadsheet:

Below is an example where I have both an **Input VAT** worksheet and **Output VAT** worksheet in Excel for my transactions. I have columns for the **Net**, **Vat**, and **Gross**.

	A	B	C	D	E	F	G	H
1	Input VAT Example							
2								
3	Invoices				Net	Vat	Gross	
4	01/01/2021	PIN00001	SUPPL01	Pens	100	20	120	
5	02/01/2021	PIN00002	SUPPL01	Paper	100	20	120	
6	03/01/2021	PIN00003	SUPPL01	Ruler	200	40	240	
7	04/01/2021	PIN00004	SUPPL02	Notepad	200	40	240	
8	05/01/2012	PIN00005	SUPPL03	Envelopes	100	20	120	
9	06/01/2021	PIN00006	SUPPL04	Pencils	50	10	60	
10								
11				Totals	750	150	900	
12								
13								
14								
15								
16								
17								

Worksheet tabs: **Input VAT** | Output VAT | Box 9 Summary | BTP CSV

	A	B	C	D	E	F	G	H
1	Output VAT Example							
2								
3	Invoices				Net	Vat	Gross	
4	01/01/2021	SIN00001	CUST01	AA Battery	100	20	120	
5	02/01/2021	SIN00002	CUST02	AA Battery	100	20	120	
6	03/01/2021	SIN00003	CUST03	AA Battery	200	40	240	
7	04/01/2021	SIN00004	CUST03	AAA Battery	200	40	240	
8	05/01/2012	SIN00005	CUST03	Alarm	100	20	120	
9	06/01/2021	SIN00006	CUST04	AAA Battery	200	40	240	
10								
11				Totals	900	180	1080	
12								
13								
14								
15								
16								
17								

Worksheet tabs: Input VAT | **Output VAT** | Box 9 Summary | BTP CSV

The other worksheets I have in the spreadsheet are the **Box 9 Summary** and the **BTP CSV**. The **Box 9 Summary** is the breakdown of the VAT return which has been produced from the **Input VAT** and **Output VAT** worksheets.

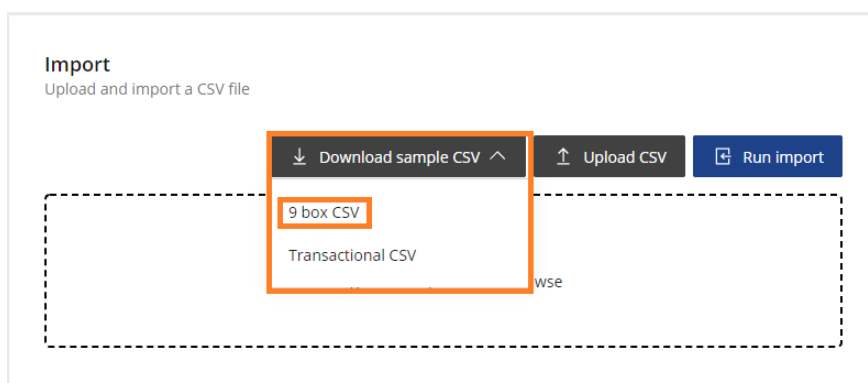
	A	B	C
1			
2	VAT due in this period on Sales and other outputs	[1]	180.00
3			
4	VAT due in this period on intra-community acquisitions of goods made in Northern Ireland from EU Member States	[2]	0.00
5			
6			
7	Total VAT due (the sum of boxes 1 and 2)	[3]	180.00
8			
9	VAT reclaimed in this period on Purchases and other inputs (including acquisitions from the EC)	[4]	150.00
10			
11			
12	NET VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	[5]	30.00
13			
14			
15			
16	Total value of Sales and all other outputs excluding any VAT. Including box 8 figure	[6]	900
17			
18			
19	Total value of Purchases and all other inputs excluding any VAT. Including box 9 figure	[7]	750
20			
21			
22	Total value of intra-community dispatches of goods and related costs (excluding VAT) from Northern Ireland to EU Member States	[8]	0
23			
24			
25	Total value of intra-community acquisitions of goods and related costs (excluding VAT) made in Northern Ireland from EU Member States	[9]	0
26			
27			

Input VAT | Output VAT | **Box 9 Summary** | BTP CSV

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	vat	company	periodStart	periodEnd	vatDueSales	vatDueAcquisitions	totalVatDue	vatReclaimedCurrPeriod	netVatDue	totalValueSalesExVAT	totalValuePurchasesExVAT	totalValueGoodsSuppliedExVAT	totalAcquisitionsExVAT
2	1.23E+08	Example Company	#####	#####	180.00	0.00	180.00	150.00	30.00	900	750	0	0
3													
4													
5													

Input VAT | Output VAT | Box 9 Summary | **BTP CSV**

The above **BTP CSV** is the only template that the Business Tax Portal will accept. To download this, log into your Business Tax Portal and go into the 'Import' tab along the left hand side. You'll see the option to 'Download sample CSV'.





Here in the **Input VAT** worksheet, I have a SUM formula for the totals. This is totalling my Net, Vat, and Gross for all the transactions listed.

E11								
=SUM(E4:E9)								
	A	B	C	D	E	F	G	H
1	Input VAT Example							
2								
3	Invoices				Net	Vat	Gross	
4	01/01/2021	PIN00001	SUPPL01	Pens	100	20	120	
5	02/01/2021	PIN00002	SUPPL01	Paper	100	20	120	
6	03/01/2021	PIN00003	SUPPL01	Ruler	200	40	240	
7	04/01/2021	PIN00004	SUPPL02	Notepad	200	40	240	
8	05/01/2012	PIN00005	SUPPL03	Envelopes	100	20	120	
9	06/01/2021	PIN00006	SUPPL04	Pencils	50	10	60	
10								
11	Totals				750	150	900	
12								

The same applies for my **Output VAT** worksheet totals.

F11								
=SUM(F4:F9)								
	A	B	C	D	E	F	G	H
1	Output VAT Example							
2								
3	Invoices				Net	Vat	Gross	
4	01/01/2021	SIN00001	CUST01	AA Battery	100	20	120	
5	02/01/2021	SIN00002	CUST02	AA Battery	100	20	120	
6	03/01/2021	SIN00003	CUST03	AA Battery	200	40	240	
7	04/01/2021	SIN00004	CUST03	AAA Battery	200	40	240	
8	05/01/2012	SIN00005	CUST03	Alarm	100	20	120	
9	06/01/2021	SIN00006	CUST04	AAA Battery	200	40	240	
10								
11	Totals				900	180	1080	
12								

These SUM formulas are needed to ensure that the totals will update depending on what figures you enter for the transactions. For example, if I change SIN00006 to a net of 400 the totals along the bottom will update accordingly.

9	06/01/2021	SIN00006	CUST04	AAA Battery	400	80	480	
10								
11	Totals				1100	220	1320	
12								

To ensure you keep a digital link, for the **Box 9 Summary** worksheet you need to use a formula to reference where the figure is being pulled from. For example, the box 1 column is the VAT due in the period on sales. I have used the formula **=Output VAT!F11**.

This cell is referencing the **Output VAT** worksheet and pulling the figure from F11. In Excel, you'd start by entering = to open the formula. You then would click into the worksheet you need to reference and then click the cell. You'll need to do the same referencing for all boxes 1-9.

Formula bar: `=Output VAT!F11`

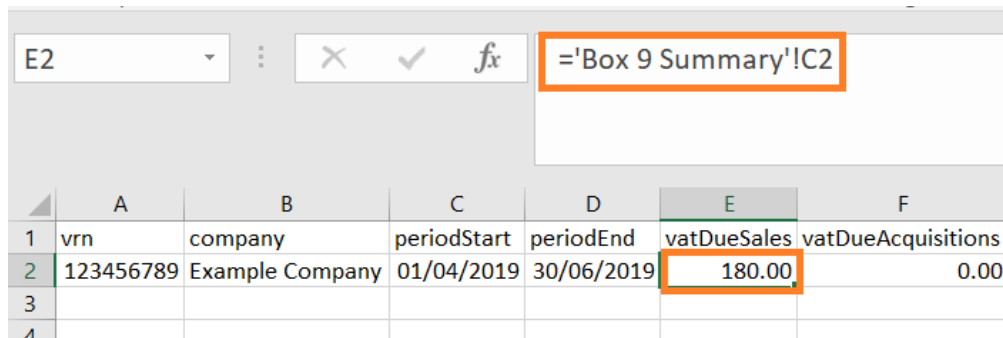
	A	B	C
1			
2	VAT due in this period on Sales and other outputs	[1]	180.00
3			
4	VAT due in this period on intra-community acquisitions of goods made in Northern Ireland from EU Member States	[2]	0.00
5			
6			
7	Total VAT due (the sum of boxes 1 and 2)	[3]	180.00
8			
9	VAT reclaimed in this period on Purchases and other inputs (including acquisitions from the EC)	[4]	150.00
10			
11			
12	NET VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	[5]	30.00
13			
14			
15			
16	Total value of Sales and all other outputs excluding any VAT, including box 8 figure	[6]	900
17			

Worksheet tabs: Input VAT | Output VAT | **Box 9 Summary** | BTP CSV | (+)

	A	B	C	D	E	F	G
1	Output VAT Example						
2							
3	Invoices				Net	Vat	Gross
4	01/01/2021	SIN00001	CUST01	AA Battery	100	20	120
5	02/01/2021	SIN00002	CUST02	AA Battery	100	20	120
6	03/01/2021	SIN00003	CUST03	AA Battery	200	40	240
7	04/01/2021	SIN00004	CUST03	AAA Battery	200	40	240
8	05/01/2012	SIN00005	CUST03	Alarm	100	20	120
9	06/01/2021	SIN00006	CUST04	AAA Battery	200	40	240
10							
11				Totals	900	180	1080
12							

Once these figures are all being pulled across digitally with the formula, you can move onto the **BTP CSV** worksheet.

The same process applies for this final stage. You need to use a formula to reference where the figures are being pulled from. In this example, for the 'vatDueSales' cell I have referenced the Box 9 Summary and cell 2.



	A	B	C	D	E	F
1	vrn	company	periodStart	periodEnd	vatDueSales	vatDueAcquisitions
2	123456789	Example Company	01/04/2019	30/06/2019	180.00	0.00
3						
4						

**Please note: VAT boxes 6, 7, 8, and 9 cannot include decimal places. In the BTP CSV template, these are columns J, K, L and M. These figures need to be rounded to the nearest number. If Excel is including decimal places for these cells, e.g. 900.00, you can format the cell so it has 0 decimal places.**

Box 5 must always be a positive figure. The following is from the HMRC VAT Notice 700/12:

**Box 5 net VAT to pay to HMRC or reclaim**

**Take the figures in boxes 3 and 4. Deduct the smaller from the larger and enter the difference in box 5.**

**This figure will be calculated automatically if you're completing your return online.**

**If the figure in box 3 is more than the figure in box 4, the difference is the amount you must pay. If the figure in box 3 is less than the figure in box 4 we'll credit your account and repay the balance, subject to any enquiries we may need to make.**

You can ensure Box 5 is always positive by slightly changing the formula used.

**=ABS('Box 9 Summary'!C10)**

=ABS returns the absolute value of the number, without its sign.

By using this formula, it will avoid you having to manually edit the figure in column I of the CSV for 'netVatDue' if you are owed by HMRC.

Once you have completed referencing all boxes 1-9 and all the company details are correct, it is ready to be saved. You need to ensure you keep it saved as a CSV file. This then can be imported within the Business Tax Portal and finally submitted to HMRC.

## Summary

We understand getting set up for the Making Tax Digital initiative can be a stressful and confusing process, but digitising tax isn't as bad as you may have initially thought. There are plenty of positives to come from digitising tax - you'll be able to have a real time view on your tax, so there won't be any nasty surprises when the bill comes in. It allows you to keep all your tax details in one place, as well as look back on past returns submitted on the Business Tax Portal. It'll be a big time saver as well, reducing the admin time spent manually preparing and submitting on HMRC.

### Useful VAT resources from HMRC:

- [VAT Notice 700/22: Making Tax Digital for VAT](#)
- [VAT Notice 700/12: How to fill in and submit your VAT Return](#)