Microsoft Dynamics 365

Dynamics 365 Finance
What's new in Making Tax Digital for VAT of the United Kingdom

Elizaveta Golub

September 8, 2021

Disclaimer

This presentation contains Microsoft Confidential Information. Microsoft may use any suggestions, comments, or other feedback that you provide for any purpose without obligation. This presentation is provided for informational purposes only and represents Microsoft's view as of the presentation date. Microsoft cannot guarantee the accuracy of any information after the presentation. Because Microsoft must respond to changing market conditions, it should not be interpreted as a commitment on Microsoft's part. This presentation is provided "as-is".

Microsoft Dynamics 365 Finance solution for Making Tax Digital for VAT in the United Kingdom is software under development. All dates and features specified are preliminary, are based on current expectations, and are subject to change without notice. Microsoft may make changes to specifications and product descriptions at any time, without notice.

Sample code included in this presentation is made available AS IS. THE ENTIRE RISK OF THE USE OR THE RESULTS FROM THE USE OF THIS CODE REMAINS WITH THE USER.

Microsoft Dynamics 365

Microsoft Dynamics 365

Agenda

- Overview: Fraud prevention headers of MTD for VAT

- What has changed in MTD VAT feature in Dynamics 365 Finance?

- How to adapt your Dynamics 365 Finance to the recent changes?
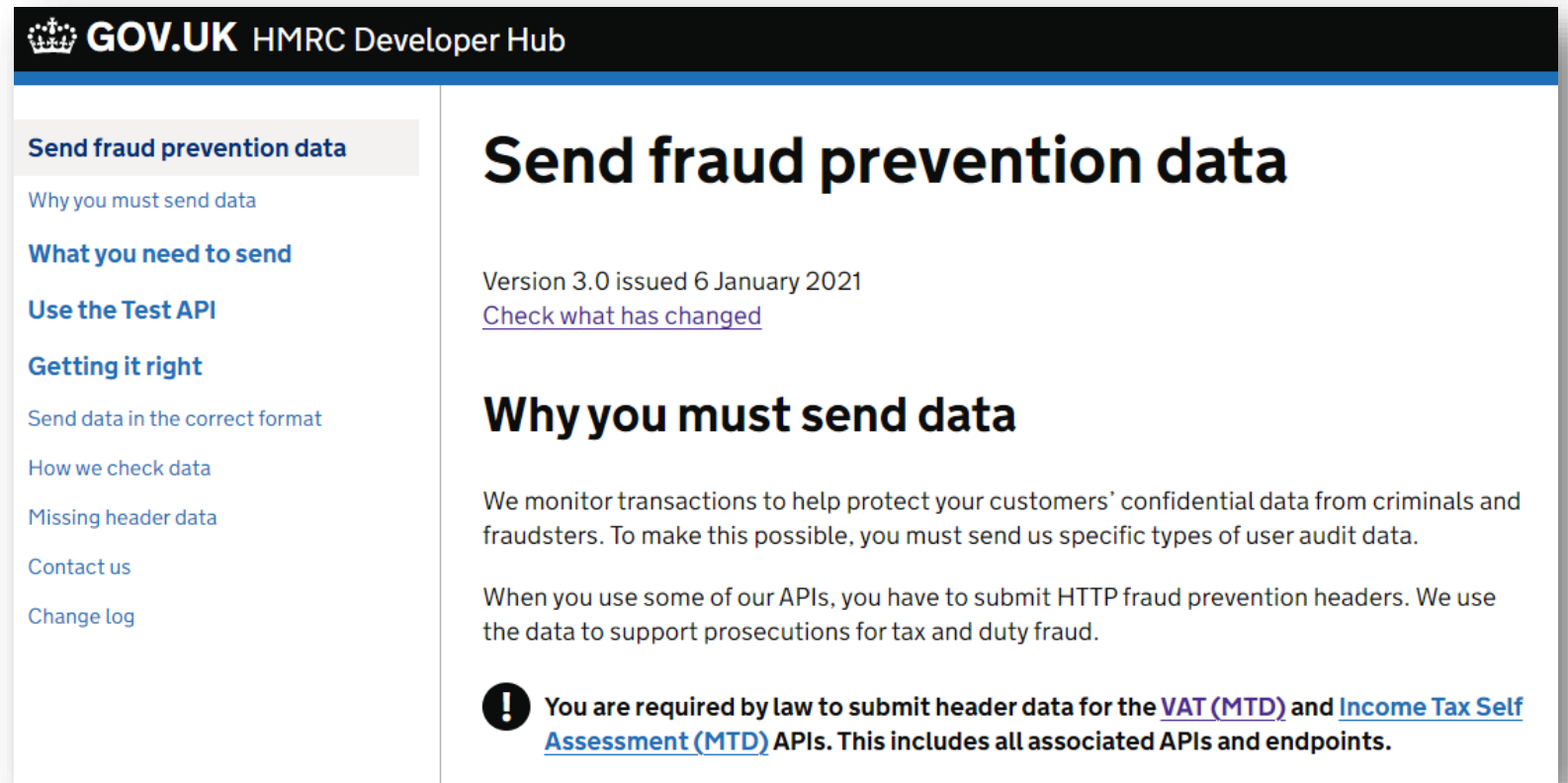
- When the changes will be available?

- Q&A

Microsoft Dynamics 365

Agenda

- Overview: Fraud prevention headers of MTD for VAT

- What has changed in MTD VAT feature in Dynamics 365 Finance?

- How to adapt your Dynamics 365 Finance to the recent changes?

- When the changes will be available?

- Q&A

Overview: Fraud prevention headers of MTD for VAT

By law, when the MTD VAT APIs are used, **MTD-compatible software must submit HTTP fraud prevention headers**.

In January 2021, version 3.0 of fraud prevention headers documentation was issued.

Microsoft Dynamics 365

Overview: Fraud prevention headers v.3.0 in MTD for VAT

All HTTP requests to MTD VAT APIs must be sent in accordance with the requirements of version v.3.0.
Microsoft Dynamics 365 Finance in scope of MTD VAT feature supports requirements of version 3.0 by implementing two connection methods:
- *WEB_APP_VIA_SERVER*
- *BATCH_PROCESS_DIRECT*

Header	Description
Gov-Client-Connection-Method	Constant value: WEB_APP_VIA_SERVER or BATCH_PROCESS_DIRECT (in case a request is sent in batch mode).
Gov-Client-Browser-Do-Not-Track	A true or false value describing if the Do Not Track option is enabled on the browser.
Gov-Client-Browser-JS-User-Agent	JavaScript-reported user agent string from the originating device.
Gov-Client-Browser-Plugins	A list of browser plugins on the originating device.
Gov-Client-Device-ID	An identifier unique to an originating device. The format of the header was updated to accommodate latest requirement of HMRC.
Gov-Client-Local-Ips	A list of all local IP addresses (IPv4 and IPv6) available to the originating device.
Gov-Client-Local-Ips-Timestamp	A timestamp to show when Gov-Client-Local-IPs is collected.
Gov-Client-MAC-Addresses	The list of MAC addresses available on the originating device.
Gov-Client-Multi-Factor	A list of key-value data structures containing details of the multi-factor authentication (MFA) statuses related to the API call.
Gov-Client-Public-IP	The public IP address (IPv4 or IPv6) from which the originating device makes the request.
Gov-Client-Public-Ip-Timestamp	A timestamp to show when Gov-Client-Public-IP is collected.

Header	Description
Gov-Client-Public-Port	The public TCP port that the originating device uses when initiating the request.
Gov-Client-Screens	Information related to the originating device's screens. The fields include: width of the screen, height of the screen, scaling-factor of the screen, color-depth of the screen.
Gov-Client-Timezone	The local time-zone of the originating device.
Gov-Client-User-Agent	This header is requested for BATCH_PROCESS_DIRECT method only. Identifies the operating system and device.
Gov-Client-User-IDs	A key-value data structure containing the user identifiers.
Gov-Client-Window-Size	The number of pixels of the window on the originating device in which the user initiated (directly or indirectly) the API call to HMRC.
Gov-Vendor-Forwarded	A list that details hops over the internet between services that terminate TLS.
Gov-Vendor-License-IDs	A key-value data structure of hashed license keys relating to the vendor software initiating the API request on the originating device.
Gov-Vendor-Product-Name	The name of the product marketed to end users.
Gov-Vendor-Public-IP	The public IP address of the server to which the originating device sent their requests.
Gov-Vendor-Version	A key-value data structure of software versions involved in handling a request.

Microsoft Dynamics 365

Agenda

- Overview: Fraud prevention headers of MTD for VAT

- What has changed in MTD VAT feature in Dynamics 365 Finance?

- How to adapt your Dynamics 365 Finance to the recent changes?

- When the changes will be available?

- Q&A

What has changed in MTD VAT feature in Dynamics 365 Finance?

- Scope of supported fraud prevention header is extended to support the full[(*)] scope of **Fraud prevention headers v.3.0.**

  [(*)] Gov-Client-Multi-Factor and Gov-Client-Public-Port headers cannot be collected for Dynamics 365 Finance. For these two headers special exception was obtained from HMRC.
  Find more information about supporting of Fraud prevention headers v.3.0 in Finance: Sending fraud prevention data.

- New format of the **System administrator consent** – to initiate new setup and continue using MTD VAT feature

  Authorize your Dynamics 365 Finance to interoperate with HMRC's MTD web-service and accept new System administrator consent to further use MTD VAT feature in Finance.

- New production application **client secrets** for "Dynamics 365 for Finance and Operations" web application.

- Other minor changes in Electronic messaging (EM) setup:

  ✓ Actions and other parts of EM setup related to the "Test user" are excluded from processing

  ✓ Added missing "Format mapping" in "Preview VAT return" action

  ✓ 'Server token' was deprecated by HMRC and respectively excluded from the EM processing setup

Microsoft Dynamics 365

Microsoft Dynamics 365

Agenda

- Overview: Fraud prevention headers of MTD for VAT

- What has changed in MTD VAT feature in Dynamics 365 Finance?

- How to adapt your Dynamics 365 Finance to the recent changes?

- When the changes will be available?

- Q&A

How to adapt your Dynamics 365 Finance to the recent changes: content of the update

(1) Dynamics 365 Finance application – version **10.0.22**

(2) Electronic reporting (ER) configurations:

- Electronic Messages framework model.version.**41**
  - MTD VAT model mapping.version.**41.68**
    - ✓ • MTD VAT web request headers format (UK).version.**41.45**
    - ✓ • MTD VAT authorization format (UK).version.**41.13**
  - ✓ • MTD VAT interoperation (UK).version.**31.9** (under Tax declaration model)

(3) Electronic messaging setup data package:

- UK MTD VAT setup**_v5_**KB4623487 from 10.0.22 ONLY.zip.

Microsoft Dynamics 365

How to adapt your Dynamics 365 Finance to the recent changes: steps of the additional setup

(1) Upgrade your Dynamics 365 Finance to 10.0.22 version.

(2) Import new version of ER configurations (from the list on the previous slide)

(3) Set up [Application-specific parameters for MTD VAT web request headers format (UK)](#) and validate collecting fraud prevention headers.

(!)We recommend enabling **Use application specific parameters from previous versions of ER formats** feature in **Feature management** workspaces (starting from 10.0.23 version of Finance). When this feature is enabled, configured for the lower version of an ER format parameters automatically become applicable for the higher version of this format.

(4) [Authorize your Dynamics 365 Finance to interoperate with HMRC's MTD web-service](#) and accept new System administrator consent to further use MTD VAT feature in Finance.

Microsoft Dynamics 365

Demo (1)

How to adapt your Dynamics 365 Finance to the recent changes: steps of the additional setup

Set up Application-specific parameters for MTD VAT web request headers format (UK) and validate collecting fraud prevention headers

To enable Finance to collect client and server public IP addresses, as of 10.0.22 version, you must set up the ExternalServiceEndpoints_LOOKUP application-specific parameter for the **MTD VAT web request headers format (UK)** format under **Electronic Messages framework model** in the **Electronic reporting** workspace.

➢ When you've finished setting up conditions, change the value of the State field to Completed, save your changes, and close the Application specific parameters page.

Authorize your Dynamics 365 Finance
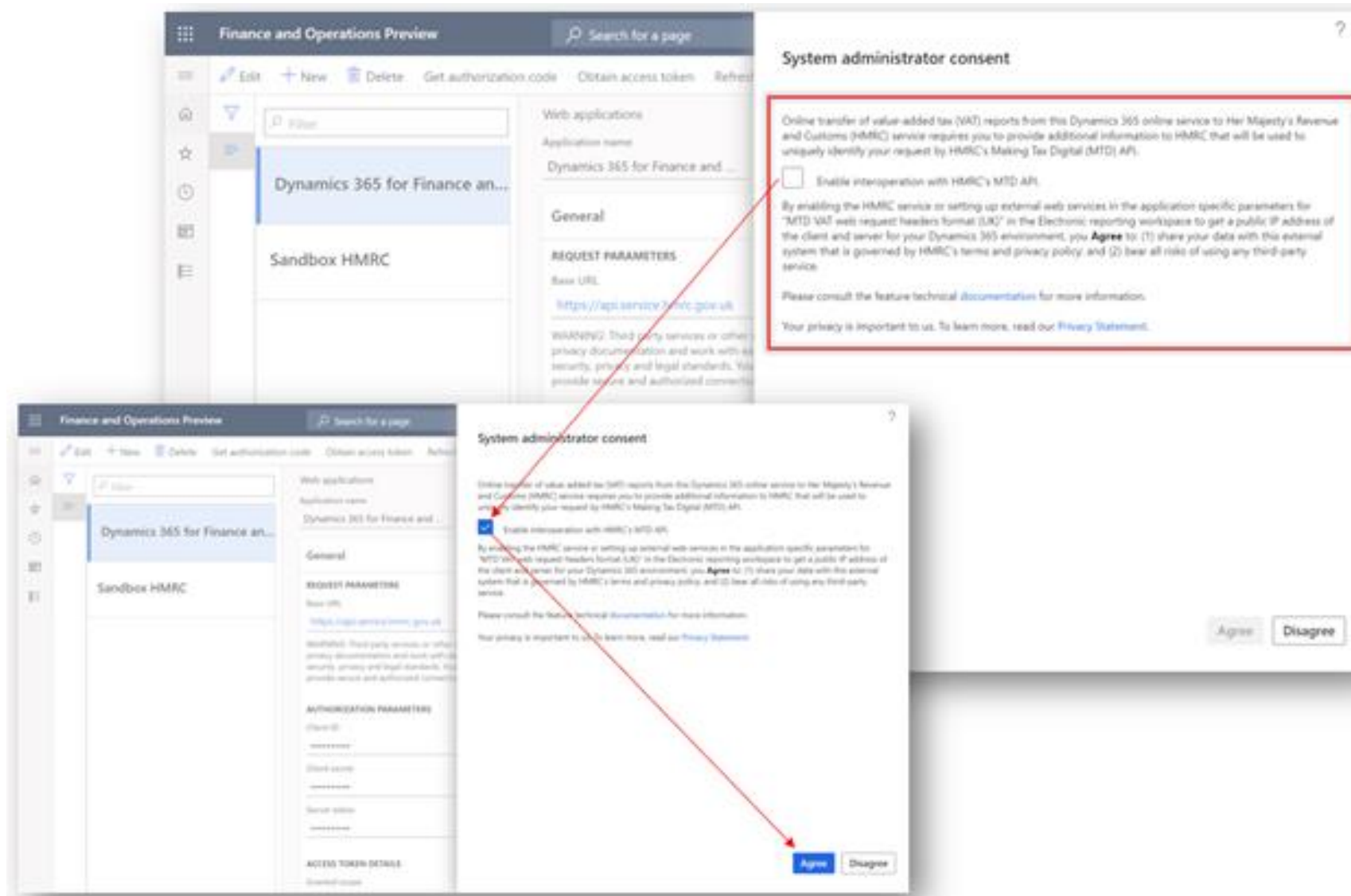
To further use MTD VAT feature you must [Authorize your Dynamics 365 Finance to interoperate with HMRC's MTD web-service](#) and accept new System administrator consent

New validation on the new system admin consent

In case new **System administrator consent** is not accepted by the system administrator, during the next business request to HMRC's MTD VAT API user will get "**401**" error. The message details will state, "*The access token can't be refreshed. A system administrator must enable the interoperation with HMRC's MTD API by selecting the Get authorization code button on the Web applications page.*"

Microsoft Dynamics 365

How to adapt your Dynamics 365 Finance to the recent changes: changes in EM setup (optional)

(1) New production application **client secrets** for "Dynamics 365 for Finance and Operations" web application

(2) Actions and other parts of EM setup related to the "Test user" are excluded from processing

(3) Added missing "Format mapping" in "Preview VAT return" action

(4) Server token was deprecated by HMRC and respectively excluded from the EM processing setup

We do <u>not</u> recommend using "Truncate entity data" option during importing the new version of the setup package to prevent issues with historical data related to MTD VAT feature. Importing of the new version of the package will deliver to your system in addition to the previous version of the setup only new production application secrets. In case you want to exclude "Test user" action from your EM setup, go to **Tax > Setup > Electronic messages > Electronic message processing**, select "**UK MTD VAT TEST**" processing, select "Create test user request" action and delete it.

Microsoft Dynamics 365

Microsoft Dynamics 365

Demo (2)

How to adapt your Dynamics 365 Finance to the recent changes:
changes in EM setup (optional)

Dashboard -- Finance and Oper... | Microsoft Dynamics Lifecycle Se...

https://usnconeboxax1aos.cloud.onebox.dynamics.com/?cmp=demf&mi=DefaultDashboard

Finance and Operations Preview | Search for a page | DEMF | AD

Home
Favorites
Recent
Workspaces
Modules
  @HumanCapitalManageme
  Accounts payable
  Accounts receivable
  Asset management
  Audit workbench
  Budgeting
  Cash and bank management
  CLI Controls Test
  Common
  Consolidations
  Cost accounting
  Cost management
  Credit and collections
  Demo data
  Expense management
  Fixed assets
  Fleet management
  Form Overlayering Test
  Foundation Forms Test
  General ledger
  Human resources
  Inventory management
  Master planning
  Organization

Expand all | Collapse ...

Indirect taxes
  Sales tax
    Sales tax codes
    Sales tax groups
    Item sales tax groups
    Sales tax authorities
    Sales tax settlement periods
  Withholding tax
  Inquiries and reports
  Periodic tasks
  Declarations
    Sales tax
      Report sales tax for settlement period
      Settle and post sales tax
    Foreign trade
    Setup
      Parameters
        General ledger parameters
        Accounts receivable parameters
        Accounts payable parameters
      Sales tax
      Foreign trade
      Tax configuration
        Tax setup
      Electronic messages
        Message item types

Message item statuses
Message statuses
Additional fields
Executable class settings
Populate records actions
Web applications
Web service settings
Message processing actions
Electronic message processing
Journal entries

Financial analysis - all companies
Financial analysis - current company
Financial period close
Fixed asset management
General journal processing
Invoicing
Ledger budgets and forecasts
Maintenance request management

Payroll management
Personnel management
Pricing and discount management
Product readiness for discrete manufacturing
Product readiness for process manufacturing
Product variant model definition
Production floor management
Project management

Reservation management
Resource lifecycle management
Retail and Commerce IT
Revenue management
Sales order processing and inquiry
Sales return processing
Store financials
Store management

Demo (2) summary: changes in EM setup (optional)

✓ New production application **client secrets** for "Dynamics 365 for Finance and Operations" web application – imported with Web application data entity from UK MTD VAT setup_**v5**_KB4623487 from 10.0.22 ONLY.zip package

✓ Unnecessary Supplementary headers are excluded from EM processing and three of them are added for both web applications

✓ Actions related to the "Test user" are excluded from testing processing

Microsoft Dynamics 365

Microsoft Dynamics 365

Agenda

- Overview: Fraud prevention headers of MTD for VAT

- What has changed in MTD VAT feature in Dynamics 365 Finance?

- How to adapt your Dynamics 365 Finance to the recent changes?

- When the changes will be available?

- Q&A

When the changes will be available?

Previous updates dedicate to supporting fraud prevention headers in Dynamics 365 Finance:

Title	Version of Finance	Released	KB number
Support of fraud prevention headers – part 1	10.0.3	6/4/2019	4504462
Support of fraud prevention headers – part 2	10.0.5	8/11/2019	4513878

According to Service update availability, **10.0.22** version of Dynamics 365 Finance is planned to be (dates subject to change):

➢ **Available for Preview (PEAP)** - September 3, 2021

➢ **Generally available (self-update) -** October 22, 2021

➢ **Auto-update schedule (via LCS Update Settings) production start date** - November 5, 2021

Microsoft Dynamics 365

Microsoft Dynamics 365

Agenda

- Overview: Fraud prevention headers of MTD for VAT

- What has changed in MTD VAT feature in Dynamics 365 Finance?

- How to adapt your Dynamics 365 Finance to the recent changes?

- When the changes will be available?

- Q&A

Microsoft Dynamics 365

Q & A

Q & A (1/2)

#	Question	Answer
1	What are the steps we need to follow as part of the cutover plan prior to go live? For example, the steps needed to be covered in order to get production credentials? How long before go live should we start this processes?	You can find all the details about steps to set up MTD VAT feature in the documentation: Prepare your environment to interoperate with HMRC's MTD VAT web service - Finance	Dynamics 365	Microsoft Docs. Please contact HMRC to get your company signed up for the Making Tax Digital (MTD) service for value-added tax (VAT) in Her Majesty's Revenue and Customs (HMRC). Microsoft delivers complete configuration of MTD VAT to enable technical connection to the APIs including production credentials. Your implementation process should decide how early is necessary test operability of the connections.
2	How can we set up latest changes in MTD VAT feature if version 10.0.22 of Finance is not deployed yet?	Version 10.0.22 of Finance in available for PEAP from September 3, 2021. Find more information about Service update availability - Finance & Operations	Dynamics 365	Microsoft Docs. Release Validation Program is available for customers to join. We recommend to learn more about Release process by the following link: https://docs.microsoft.com/en-us/dynamics365/fin-ops-core/fin-ops/get-started/public-preview-releases?toc=/dynamics365/finance/toc.json#release-processes.
3	Is it mandatory to upgrade to version 10.0.22 of Finance?	We explained in the webinar that this is the 3rd from updates related to the fraud prevention headers introduced by HMRC and this one is the most critical from privacy stand point due to the demand of sharing directly identifying information of the users. We understand that is the law in the UK and we as software vendor have to follow the rules. We communicate with HMRC in case of critical issues for interpretation of the law however we are not clear when and if ever HMRC will start rejecting submissions without properly identified headers in the transmission of the MTD VAT declaration. Because of that uncertainty we cannot recommend otherwise than update as soon as you can to use fully compliant version of the MTD submission service.
4	We were told that in the current version on MTD VAT feature only users with Sys Admin role can send the final submissions to HMRC - is it true? If so then is there any possibility to change this because the submissions need to be done by the users who have Finance roles.	Please find information about how to set up access to different Electronic messages processing in scope of MTD VAT in the documentation: https://docs.microsoft.com/en-us/dynamics365/finance/localizations/emea-gbr-mtd-vat-integration-setup#processing. It is also important to provide access to respective web application(s): https://docs.microsoft.com/en-us/dynamics365/finance/localizations/emea-gbr-mtd-vat-integration-setup#application. In addition, please check the following information about Security privileges created for Electronic messages: https://docs.microsoft.com/en-us/dynamics365/finance/general-ledger/electronic-messaging#security-privileges With the latest changes in MTD VAT feature, the admin role needs to setup external web services to obtain required data at process of submission to HMRC. Financial user process is not changed, however the person who submits the VAT return to HMRC must be aware of changes in transmitting their data as per HMRC requirements.

Microsoft Dynamics 365

Q & A (2/2)

#	Question	Answer
5	During the demo a testing VAT registration number was set up in the additional field of electronic message in Electronic Message processing. Is this also needed to create a Registration ID in the Legal Entity with the VRN?	In the KB4617940 there was introduced new "Tax registration number" additional field to the both 'UK MTD VAT returns' and 'UK MTD VAT TEST' electronic messaging processing. This allows to define the VAT registration number (VRN) from the name of which VAT return will be sent to HMRC. If you decide using this new additional field, you do not need to set up Registration ID in the Legal Entity. In case you already set up Registration ID in the Legal Entity you may not use the new additional field - the old setup will be used by the system. Find more details in the documentation: https://docs.microsoft.com/en-us/dynamics365/finance/localizations/emea-gbr-mtd-vat-integration-setup#vrn
6	From one of the screens in the demo, it looks like it is possible to submit multiple VAT returns (for different periods) without deleting the previous submissions. This is not something that is currently possible, what do I need to do to allow that to happen?	This is possible to have as many electronic messages in the system as more you need. Usually, there will be one electronic message for one reporting period (VAT obligation). In details the process of submission a VAT return to HMRC's MTD web service is explained in the documentation. Submit a VAT return to HMRC's MTD web service - Finance	Dynamics 365	Microsoft Docs. You do not need to delete previous submissions from your system to be able to report VAT return for the next period.
7	Other than this configuration update, are any more VAT updates scheduled? We would like to see functionality that allows VAT return for an HMRC VAT group (say 10 member companies) to be run as one process, rather than 10 individual VAT returns which only come together just prior to API submission.	Reporting of VAT return for a VAT group is already available for the UK in scope of MTD VAT feature. Find more details about how to enable VAT return reporting for companies that report as a VAT group: https://docs.microsoft.com/en-us/dynamics365/finance/localizations/emea-gbr-mtd-vat-integration-setup#vatgroup.
8	Is fraud prevention headers 3.0 supported in Dynamics AX 2012 R3?	Currently the MTD VAT feature in AX 2012 R3 covers the full scope of fraud prevention headers 3.0 with the recently released hotfix - KB4623486. According to Dynamics AX 2012 R3 - Microsoft Lifecycle	Microsoft Docs, the 12th of October 2021 will be the end of support of "Microsoft Dynamics AX 2012 R3". We recommend getting production credentials for web application from HMRC for the companies using MTD VAT feature in Dynamics AX 2012 R3.

Microsoft Dynamics 365

UK MTD for VAT - Useful links

- Questionnaire about your experience with MTD VAT feature

- Prepare your environment to interoperate with HMRC's MTD VAT web service - Finance | Dynamics 365 | Microsoft Docs

- KB 4623487: United Kingdom - MTD fraud prevention 2021

- Yammer: Finance and Operations Insider Program: TAX DECLARATIONS

- Service update availability - Finance & Operations | Dynamics 365 | Microsoft Docs

- Microsoft Lifecycle services / Globalization portal (LCS)

- Electronic reporting (ER) overview - Finance & Operations | Dynamics 365 | Microsoft Docs

- Electronic messaging - Finance | Dynamics 365 | Microsoft Docs

- Data management overview - Finance & Operations | Dynamics 365 | Microsoft Docs

- Globalization resources - Finance & Operations | Dynamics 365 | Microsoft Docs

- Making Tax Digital for VAT: legislation overview - GOV.UK (www.gov.uk)

Microsoft Dynamics 365

Microsoft Dynamics 365

Thank you!