

Confusion reigns in the market over how best businesses can invest in MTD. In the short term many are merely seeking to meet the requirements of April 2019. But to maximise return and minimise disruption it makes sense to futureproof investment by opting for an MTD-ready end-to-end compliance solution



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Making Tax Digital for VAT (MTDfV) is nearly upon us but the level of preparedness in the marketplace varies enormously. Through customer and industry interaction in our role as a software provider supporting MTDfV, we have found that most businesses are only now beginning to address the challenges presented by MTD.

These businesses may be taking a short-term view that satisfies the initial compliance obligations required from April 2019 and are not yet looking beyond. Other businesses are transforming their processes, systems and operating models to ensure MTD compliance, not only at introduction, but also from April 2020, when businesses will be required to have in place digital links between all parts of their VAT solution.

Interestingly, some organisations are also exploring how they can incorporate preparedness for MTD for Corporation Tax (CT) into their transformation of their systems and processes. MTD for CT is on the horizon – albeit not until April 2020 at the earliest – and is expected to require similar end-to-end digital automation. By investing in MTD transformation now, these businesses are future-proofing their compliance processes.

Overall there appears to be a real sense of confusion around how to embrace MTD, with questions such as:

- How will this change working practices?
- Can we adjust prior submissions and payments?
- How will we capture data from existing systems, particularly where there are multiple VAT entities and systems?
- Will the move to MTD warrant time consuming transformation projects?
- Will we need technical skillsets in the tax function?

VAT functions will be required to adopt functional compatible software (FCS) to submit VAT returns digitally, however proactive businesses are finding themselves frustrated by a lack of solutions. MTD solutions are emerging, offering varied compliance solutions, but progress is slow and many existing accounting software providers yet to enhance their products. This makes an initial VAT bridging solution that can be extended to provide an end-to-end compliance solution the most viable option.

In our view to provide businesses with a future-proof solution FCS will have to provide three things:

1. A simple, cost effective, fully audited, end-to-end digital process that will enable businesses to stay well ahead of HMRC's MTD deadlines
2. The ability to migrate a step at a time with minimal changes to systems and processes
3. A journey that can scale through the whole MTD process (including CT)

By adopting a solution that provides full digitalisation from data collection through to computation and digital reporting it's possible to migrate processes and technologies a step at a time with minimal need for change to existing finance systems, spreadsheets or processes. The business can then embark on a mapped path to compliance taking four simple steps to reach the point of a fully autonomous MTD-compliant solution.

- **Step 1:** A digital "bridge" between the current method of VAT calculation and HMRC
- **Step 2:** Automatic digital links to relevant data from General Ledgers across multiple types of accounting systems and creation of a central compliance data pool for future MTD requirements
- **Step 3:** Advanced guidance for complex VAT calculations removing the need for spreadsheets and reducing errors
- **Step 4:** An MTD-compliant pathway to Corporation Tax and beyond

This gradual transition protects investment, mitigates risk, and future-proofs the business against subsequent regulatory change. Conferring all the advantages associated with automation, including: streamlining processes, reducing time spent on calculations and freeing up tax resource, while producing a central pool of data that can be drawn upon as needed to meet the requirements of a wide gamut of tax regulations.

Consequently, Tax Systems are launching the AlphaVAT suite of fully MTD compliant technology offerings providing businesses with a path to a fully autonomous MTD-ready solution.

• **Step 1 AlphaBridge:** the digital link between your existing VAT calculations and your return submission to HMRC. The solution utilises an Excel template for collation or linking of data from source systems or spreadsheets, and provides an interface for uploading the 9-box amounts to the cloud portal before onward submission. With AlphaBridge you can view your obligations, liabilities and payments.

• **Step 2 AlphaLink:** a data extraction platform that digitally links data from accounting systems to create a data pool from which the VAT data can be seamlessly imported into the AlphaBridge template Excel or AlphaVAT. AlphaLink, in combination with AlphaBridge, satisfies all the digital requirements of MTDfV.

• **Step 3 AlphaVAT:** an advanced VAT compliance solution that removes the need for spreadsheets and can handle the most complex VAT calculations. AlphaVAT includes robust tax logic, VAT group return consolidation, secure access control, comprehensive audit trail and legislative help providing advanced guidance for teams to calculate and submit MTD-compliant tax returns.

• **Step 4 AlphaTax:** the data pool created by AlphaLink holds the data to drive both VAT calculations and Corporation Tax calculations. This integration provides customers with a simple path to meet the next generation of MTD regulations.

Tax Systems are specialists in compliance and offer innovative solutions and services to help businesses embrace technology to increase the accuracy, auditability, control and efficiency of their compliance processes. To find out more about how to take the first step to compliance – AlphaBridge – contact us today on 01784 777 700 or visit www.taxsystems.com for more information.

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