MTD: The journey to compliance

TAX SYSTEMS

T: 01784 777 700
E: enquiries@taxsystems.com
W: www.taxsystems.com

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TAXJOURNAL

Preparing for tomorrow today

The reform of the UK tax system – Making Tax Digital – will see the transformation of the entire tax industry.

The wholesale adoption of technology will change how data is collected, processed and applied. This in turn will see the role of the tax professional change, with more time for strategic specialist work. Automation will increase, with less reliance on spreadsheets, and compliance engines will be used to perform calculations, check for errors, carry out diagnostics and flag actions.

It's a brave new world and we're right at the start of the journey. MTD for VAT has begun but the initial requirement is only for the digitalisation of the submission process. From next year digital links will be mandatory requiring data collection to be automated and following the successful implementation of MTD for VAT, MTD for income tax and MTD for corporation tax are set to follow.

So how should the business embark upon this journey to compliance and is it possible to anticipate and prepare for the demands of tomorrow?

In the following report we look at MTD not in isolation but in the broader context of global regulatory change and acknowledge HMRC's ambitions to become "one of the most digitally advanced tax administrations in the world". We explore the demands of MTD for VAT, current attitudes to meeting requirements based upon our industry survey, things to look out for, and the options available to the business.

Finally, we deliver an overview of an MTD strategy that doesn't just seek to secure compliance but looks to deliver the long-term benefits associated with automation that will help to boost your business.

Andy Mills
Tax Systems

The road to making tax digital

Making Tax Digital (MTD) is the most fundamental reform to the UK's system of tax administration since the introduction of self-assessment.

It was back in 2015 when HMRC announced its intention to transform the UK tax system into "one of the best digital tax services in the world". MTD would be a "win-win" for taxpayers and HMRC alike: taxpayers would benefit from simpler and easier tax administration, and HMRC would benefit from better compliance, which would in turn help the department narrow the "tax gap" between revenues due and revenues collected. How could anyone disagree with that?

Well, the problem is the sheer scale of the challenge. This was illustrated by HMRC's early consultations, which covered everything from bringing business tax into the digital age, to reforming the penalty regime, to the better use of information. MTD is not just about improving taxpayer administration, it also requires changing the underlying law. So while there is support for the broad aims of MTD and agreement over its potential benefits, there were always going to be significant practical obstacles before it could be implemented – and HMRC's initial timetable looked to be very challenging indeed.

How are things going today? Well, the pace of delivery might have been slowed, but there is no doubt that MTD is here to stay. This year sees the roll-out of MTD for VAT. The implementation of MTD for businesses and landlords might be further down the line but it will happen. Businesses should embrace the digital challenge if they want to fare better in the long-run – and that is where Tax Systems can help.

Paul Stainforth
Editor, Tax Journal

1. Introduction

Making Tax Digital for VAT (MTDfV) is now up and running with all eligible businesses set to make their first digital submission over the course of the next year. It's the first step on the path of a much longer journey for it signals the start of the digitalisation of the tax regime and the wholesale adoption of automation across the enterprise.

MTDfV will undoubtedly be disruptive and we can expect further change with the digitalisation of income tax and corporation tax. However, it also promises to deliver real benefits for both HMRC and businesses, provided MTD is rolled out in such a way that risk is mitigated and efficiency drives are prioritised alongside compliance.

We recently looked at how these changes to the tax landscape will impact businesses and how they can adapt, in a series of articles produced in association with *Tax Journal*. In this report we explore these themes in more depth by laying out the requirements and the terminology under MTD, current adoption trends, where we are now and what the business needs to be aware of when deciding on an MTD strategy.

2. MTD in context

MTD represents the biggest reform of the UK tax regime in decades, but it hasn't happened in isolation. It's the continuation of a wider global movement. We've already seen the introduction of OECD initiatives such as BEPS CbCR and CRS aimed at improving transparency and MTD is symptomatic of tax authorities' desires to harness technology to reduce errors, mistakes, avoidance and evasion. It should be viewed in this context – as a harbinger of digital compliance – with the caveat that it could yet be further extended. For instance, in some jurisdictions such as Spain, Poland and Brazil, near or real-time reporting of transactions is now being used.

Yet as digital compliance gathers pace it is placing increased pressure on the business and is exposing the inadequacy of existing manual processes. As a result, there has been a gradual shift away from manual processes towards technology but adoption has been piecemeal. MTD is a disruptor in that it will change this, setting a minimum bar for digital transformation across the industry.

WHAT IS MTD?

Making Tax Digital is the digital transformation of the tax system by HMRC aimed at making tax more effective, efficient and easier for taxpayers whilst reducing the costs associated with overseeing the tax process.

HMRC aims to digitalise all regular taxes (VAT, income tax and corporation tax), commencing with VAT in 2019 and 2020. These changes will require taxpayers to: keep their records digitally, exchange data between software systems used to store records, prepare and submit their tax returns digitally and submit the tax return to HMRC using API enabled software.

Timelines, requirements and terminology

Timeline

April 2019	Mandated businesses required to maintain digital records and submit VAT returns using MTD . Soft landing period begins.
October 2019	The 3% of businesses with more complex processes are required to be compliant.
April 2020	Soft landing period comes to an end. Businesses must have full digital process in place from source to submission.
Post April 2020	Corporation Tax due to commence. Digital records and quarterly updates will at some point be required for all taxes.

An exemption will apply to around 3.5 percent of the mandated businesses, which have until October 2019 to meet digital submission requirements. These fall under the following categories:

- Trusts
- 'Not for profit' organisations that are not set up as a company
- VAT divisions
- VAT groups
- Public sector entities required to provide additional information on their VAT return (such as Government departments and NHS Trusts)
- Local authorities
- Public corporations
- Traders based overseas
- Entities required to make payments on account
- Annual accounting scheme users

From April 2019 (or October 2019 for deferred businesses)

All businesses that exceed the £85,000 VAT threshold – with the exception of some with complex VAT requirements – will need to maintain digital records, prepare their return from those records and submit their returns digitally. However, the requirement to maintain a digital audit trail between the digital records and the return preparation software is subject to a soft landing period relaxation.

In order to be compliant, businesses will need to either use compatible software in-house or use an advisor who has this functionality. If the return is prepared and submitted in house, the business will need to obtain software from a supplier that supports MTD. They

WHAT DOES THE SOFT LANDING FOR MTDfV MEAN?

The soft landing period was introduced to give businesses an additional 12 months from 1 April 2019 to 31 March (or October) 2020 to get their infrastructure and systems in place to support the digital link requirement between the system used to store the VAT records and the return preparation software.

will also have to sign up for MTD for their relevant VAT entities on GOV.UK.

If businesses engage a tax advisor, the firm will need to create an Agent Services Account (ASA) on the HMRC website and connect it to their MTD software. They will have to map across their existing VAT client relationships for each pre-MTD GGW ID to their new ASA (full guidance will be provided by HMRC). This enables staff to access MTD through the ASA and act for the firm's clients.

Technical Requirements

The solution used to comply with MTDfV will depend upon businesses' current processes and systems. If they have accounting/ERP software that supports VAT return preparation and can cater for API submissions, they may find their vendor has provided an update to ensure compliance. However, they should be mindful of the need to meet the digital link requirement in the future. If businesses use a separate return preparation spreadsheet or system and submit the return via the HMRC portal, they will require new submission software.

WHAT IS AN API?

An Application Programming Interface (API) is a mechanism whereby a software program enables exchange of data with other software programs (by agreeing a common language for them to talk to each other in).

From April 2020 (or October 2020 for deferred businesses)

Businesses will need to have put in place a full digital journey from the digital VAT record through to the API submitted VAT return by implementing digital links between every component of the VAT reporting process. A digital link is an electronic or digital transfer or exchange of data between software programmes, products or applications. These provide a clear digital audit trail of the data journey between the software package(s) used to constitute the compatible software, as prescribed in the VAT 700/22 Notice, 3.2.1:

> *"Once data has been entered into software used to keep and maintain digital records, any further transfer, recapture or modification of that data must be done using digital links."*

Examples of a digital link include:

- The transfer or exchange of data electronically between software programmes, products or applications (without manual intervention such as copying)
- Linked cells within or between spreadsheets
- Emailing or providing by e.g. a memory stick, a spreadsheet containing digital records to an advisor
- XML/CSV import and export, automated data transfer and API transfer

The majority of businesses use spreadsheets for a part of their VAT process, with some businesses using spreadsheets for storing their VAT records. These businesses have three choices:

- Do the minimum to be compliant for 2019 by purchasing a bridging solution and reviewing requirements for 2020
- Transform their processes and systems by purchasing an accounting/ERP system that supports end-to-end VAT compliance
- Evolve by finding a solution for 2019 that can upgrade to offer support for future compliance

The VAT Notice 700/22 outlines examples of different business processes, where digital links are mandated for 2019 and where there is a soft landing until 2020, which can be used as a basis to identify how current processes and systems need to be adapted.

Digital records

Digital record-keeping requirements are outlined in VAT Notice 700/22. It is worth noting that these are in addition to the standard VAT record-keeping requirements. Digital record keeping is not just about the technology, in that the records must be kept digitally; the record-keeping requirements are more onerous. However, certain relaxations apply e.g. you can record totals at the VAT rate, you do not need to record each line item on the invoice and if the allowable input tax credit recoverable is not known you may record all/none/estimate and adjust later.

WHAT DIGITAL RECORDS MUST BE STORED IN YOUR ELECTRONIC ACCOUNT?

A variety of different records must be stored digitally, eliminating the potential for error. These include:

- Business name
- Principal place of business address
- VAT registration number
- Any VAT accounting schemes used
- Regarding supplies made:
  - Time of supply
  - Value of the supply (net)
  - Rate of VAT charged
- Regarding supplies received:
  - Time of supply
  - Value of the supply
  - Amount of input tax that will be claimed
- Reverse charge transactions
- Summary data (your VAT account)

Further changes under MTDfV

The focus today is on automating the data extraction and submission process but there's no reason to expect it to end there. It is more than conceivable that HMRC will follow in the footsteps of other leading tax authorities such as those in Spain, Poland and Brazil who request the additional reporting

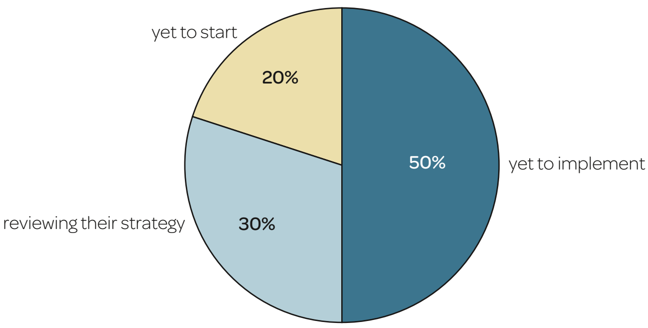
in the form of the provision of electronic transaction data. This would enable HMRC to use the underlying data to perform electronic audits or data analysis.

This additional demand for information could therefore see the further build-out of MTDfV, so it's worth bearing this in mind when it comes to considering compliance and the sophistication of the software being selected.

3. MTD – Where are we now?

In [The Tax Professionals MTD Survey](), conducted in April 2019 by Tax Systems, we found the vast majority surveyed (89 percent) were aware of the requirements to sign up to MTD and to process their returns digitally via the HMRC API. Yet over 40 percent were unaware of the digital link requirement in 2020, suggesting that many organisations are taking a short term view of compliance or perceiving that the bridging solution they are deploying in 2019 is all they need. Consequently they are unlikely to be prepared for the more complex element of MTD for VAT: digital linking.

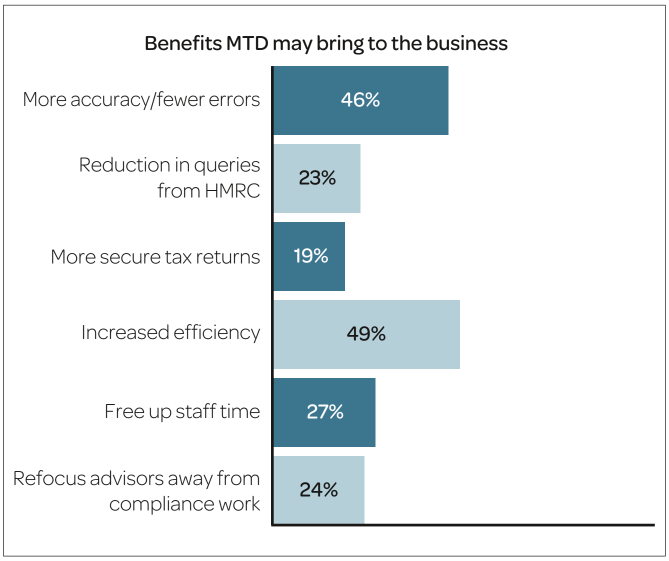
As of May 2019, over 170,000 companies had registered for MTD for VAT, with an average of 4,000 new joiners per day, although only 70,000 had been processed. Many businesses are still getting to grips with the requirements, a fact borne out by our market research, which found 50 percent had yet to implement a plan, 30 percent were reviewing their strategy, and 20 percent had yet to make a start.



This reticence is indicative of how confused the sector is over how MTD will work in practice. Concerns range from how MTD for VAT will automate previously manual processes (an issue for 64 percent of respondents), to the cost of implementation associated with MTD (43 percent) and the prospect of future regulatory change (34 percent).

In larger businesses, tax professionals are struggling to envisage how MTD will fit in with the way they work today. Our survey revealed that 66 percent were concerned about how adjustments would be recorded while 64 percent wondered how amendments and error corrections would be carried out before submission. Others voiced their concern over special scheme calculations (42 percent), how records from individual groups/entities would be combined using multiple accounting systems (31 percent), the exemption of entities (21 percent), and how overseas entities (18 percent) would be included.

Yet the survey also revealed tax professionals are optimistic over the potential benefits of MTD. Just under half expected it to increase efficiency when it came to filing tax returns, while 46 percent expected it to lead to more accuracy and less errors, and over a quarter thought it would free up staff to spend more time on other tax activities, thereby increasing productivity.



4. Things to watch out for

Timing the transition

Reports have revealed that the registration process for those paying by Direct Debit will take seven days to complete and MTD users have been advised that it will not be a real-time service, so businesses should plan their crossover date carefully.

Therefore, businesses should:

- Sign up once the final non-MTD VAT return has been filed
- Only sign up when they are truly ready to file under MTD
- Allow enough time for the HMRC changeover process. This can take 3 – 7 days from applying to join MTD until HMRC send confirmation that the business records have been migrated to the new system, dependent on whether the business pays by direct debit.

No going back

Once a business has committed to MTD it will no longer be able to use the current HMRC VAT portal. In our survey, 80 percent of respondents were aware of this fact yet very few were taking steps to ensure they had got it right before committing to MTDfV. The Tax Professionals Survey 2019 found that although 68 percent wanted to be able to pre-test their processes, 58 percent did not realise pre-testing was an option and had not explored it in conversation with vendors.

Pre-testing provides a valuable learning curve. It can be carried out using a simulation environment within the MTD software where the tax team can safely explore the process and carry out a dry run. The simulation environment replicates the look and feel of uploading return data and performing the submission process. Within the safety of this space, businesses can then review data collection processes and requirements, make the necessary changes, and familiarise themselves with the process to ensure they complete the return on time. This enables the business to commit to MTD with confidence.

Changes to the penalty system

HMRC has clearly stated that, during the first year of mandation it will take a light touch approach to digital record keeping and filing when it comes to penalties, provided businesses demonstrate they are doing their best to comply. However, this is not a blanket 'no penalties promise' as there is no such leeway for late payment. The default surcharge system will apply, so even if the business experiences problems filing, it is important to make the VAT payment on time otherwise the business incurs the risk of invoking a surcharge period that could result in escalating surcharges of 2%, 5%, 10% and 15% for repeated payment defaults in the surcharge period.

It is also worth noting that late submission of a return alone does not result in a default. HMRC's view is that no soft landing is required in this respect because the default surcharge can be avoided by paying the VAT due by the deadline.

Moreover, the penalties regime for late submission and payment of tax is changing, with a new points-based system for late filing and late payment of VAT due to be phased in some time after April 2021.

The new system will be introduced over a 'staged implementation period', after which the two new penalties for late submissions will be applicable to all those within the income tax self-assessment and VAT regimes (with the exception of those who submit returns occasionally or on a one-off basis). Each tax will have a separate points submission process with a wider rollout to other taxes, including corporation tax, expected at a later date.

HOW THE NEW PENALTY SYSTEM WORKS

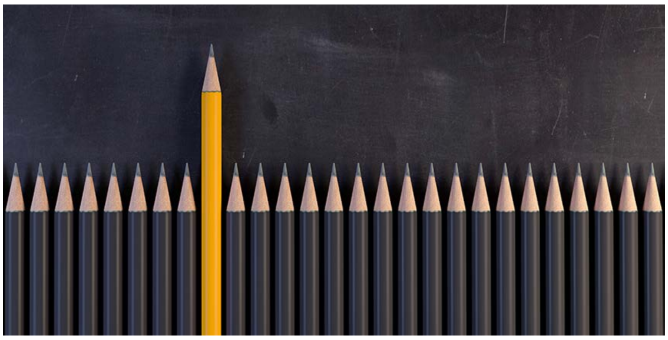
The penalty system will comprise:

Points-based late submission penalty regime.

- One point for each late submission for each entity
- When a threshold of four points has been reached, an automatic fixed penalty will be issued for each subsequent failure to make a return on time.
- Points do not accumulate indefinitely and will be wiped and the clock reset after four compliant submissions (i.e. equivalent to four quarterly returns or one year) from the date of the last late submission.
- The quantum of the penalty charges are not yet known but are expected to be higher than at present.

Late payment interest will be charged from the date that the payment was due until the date that the payment is received. These won't apply until after the first default and will then be charged at 2.5 percent after 15 days, doubling to 5 percent after 30 days, with daily penalties charged thereafter. This surcharge will remain unchanged until 2021.

5. Picking the right solution



When it comes to deciding on how to invest in MTD, there are broadly three options open to the business: outsource, develop in-house or invest in an off-the shelf solution. The Tax Professionals Survey 2019 found that the vast majority of businesses were opting to bring tax back in-house with 84 percent intending to use an MTD for VAT solution chosen from HMRC's list of suppliers. Interestingly, this move mirrors that adopted in other taxes such as Corporation Tax. In our Customer Survey 2018, 88 percent of those surveyed had previously used advisors but were seeking to increase control and reduce spend by bringing tax back in-house.

A. **Outsource:** by engaging a tax advisor. Entails the least amount of change internally, although handing the process to an advisor could result in a little less control over financial data, reducing oversight. Businesses will still need to consider how they link their back office systems to the advisor's system to comply with 2020's digital link requirements.
B. **Develop in-house:** develop software perhaps by bolting on a bridging capability to their existing accounting/ERP system that supports VAT return preparation. Could cause issues in the longer term as regulations evolve. The system will need to be updated and managed and may well have to compete with other systems in-house for IT resource.
C. **Off-the-shelf software:** obtain software from a supplier that supports MTD. Will require an initial outlay by businesses but this can be swiftly recouped by running compliance processes inhouse. Data ownership and control will also make it easier to collect, analyse and submit data.

With the majority electing for a software solution, the dilemma facing most businesses is how to sort through over 400 solutions on the supplier list. Vendors vary tremendously from vertical and compliance specialists, to ERP and accountancy solutions with bolted on bridging software, to white-labelled SaaS, making it hard to compare those on offer. Some general criteria with which to assess these solutions include:

1. Go for a purpose-built HMRC approved solution and evaluate it; don't go for a recommendation
2. Look for a pre-testing capability to give you time to adjust before signing up
3. Pick a vendor with proven expertise in tax compliance that offers product support

4. Look for compatibility and a wide range of plug-ins enabling the solution to interface with existing ERP and accountancy systems
5. Ask about other features such as dashboard views, obligation monitoring and real-time data management to streamline audits and tax planning
6. Determine if it supports advanced calculations and can automate calculations for VAT groups, standard and special method partial exemption, bad debt relief, reverse charges, fuel scale charges etc.
7. Pick a solution that will stand the test of time and ensure the business complies with future legislative change such as MTD for corporation tax.

> Nearly 40% wanted a solution that would lend itself to future MTD obligations such as corporation tax, removing the need for new software purchases.

6. MTD and future automation

The intention behind MTD for VAT is to make it ”easier for customers to get their tax right”, which in turn will mean “the cost, uncertainty and worry that customers face when we need to intervene to put things right” are avoided and the likelihood of queries reduced, according to the HMRC Annual Report. This means automation could render the risks and costs associated with misreporting (e.g. reputational damage and punitive fines) a thing of the past.

The Tax Professionals Survey revealed 32 percent agreed that automation would give them more control over data, while almost half (47 percent) thought MTD and automation would see more data analysis carried out, improving decision making in the business, while a third thought MTD would simplify the tax process, with automation calculating multiple computations across entities.

Where MTDfV and automation is likely to hold the biggest benefits is for larger organisations as these have to handle greater volumes of data and report across multiple entities. By going beyond the initial requirements of MTD and extending the solution to encompass other calculations these businesses can really use MTD to their advantage.

For example, a tax compliance engine which has tax legislation embedded in the software allows the business to use the data pooled by the digital link element from MTDfV in more versatile ways. This data can be used for a host of other calculations, including advanced VAT calculations that are not yet mandated to be digitalised, such as exemptions, schemes and amendment processes. Automating these additional elements provides real benefits, from greatly reduced workloads, to better data quality and streamlined tax processes.

AUTOMATION DEFINED

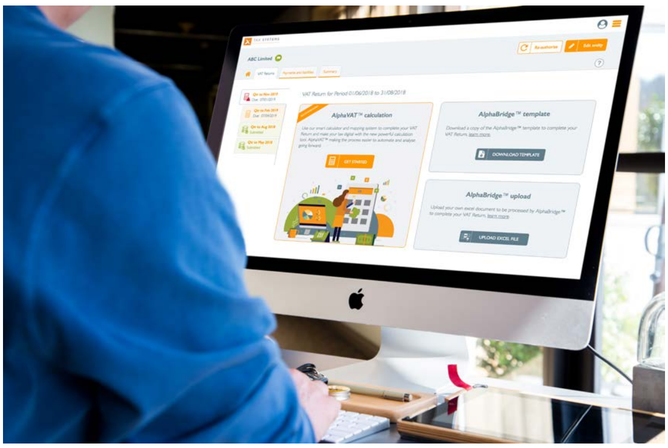
Compliance automation enables tax teams to automate the end-to-end process from the collection and management of financial data through to the creation of computations and e-filing.

Automation will also inevitably reshape the sector. Of the tax professionals surveyed, 28 percent thought automation would enable them to better utilise advisors and control spend. The relationship with advisors will be redefined and the remit of in-house tax teams will change to allow both to focus less on menial compliance tasks and more on tax planning and decision making.

BENEFITS OF AUTOMATION

- Increased productivity
- Operational efficiencies
- Greater governance
- Cost savings
- Attract and retain skilled staff
- Specialist skills
- Data accuracy
- Reduced errors
- Reduced complexity
- Secure processes
- Reduced risk

However, the survey also revealed concerns over how automation could impact jobs. 25 percent thought automation could threaten job security and nearly a quarter thought they would need to become more proficient at coding (only 23 percent recognised that the technology would be intuitive enough to perform the tasks required). Over a third also thought they may need to upskill in some way (50 percent thought data analysis would be a key skill in the future). Yet there were positives too, with 62 percent thinking automation would allow the profession to attract new talent and 27 percent that it would allow them to undertake more interesting value added work

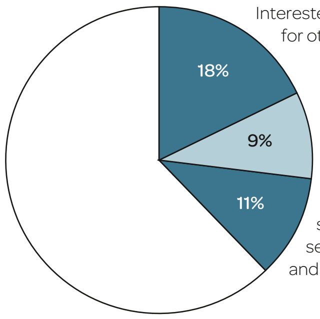


Perception around the role automation could play was also limited. Less than half were able to envisage how data pooling, the emergence of electronic audits or machine learning could be used to cut workloads and flag anomalies. The death of the spreadsheet, with automated data extraction becoming the norm, was also inconceivable to many but an overwhelming 75 percent agreed businesses must be prepared to dedicate spend on technology and over 50 percent thought that the integration of a compliance engine with back office systems would help businesses weather future change.

MTD for corporation tax

MTD for VAT is the forerunner of the digitalisation of the other taxes, namely income tax and corporation tax. In his Spring Statement, Chancellor Philip Hammond stated that “the government will not be mandating MTD for any new taxes or businesses in 2020” as a result of which income tax (currently in limited pilot) and corporation tax are expected to be mandated some time after April 2021.

Despite this delay to the extension of MTD, the Tax Professionals Survey found 38 percent of those polled wished to put in place a solution that would be able to perform digitalised returns for these other taxes. This echoes sentiments expressed in a recent report from the House of Lords Economic Affairs Committee that found businesses would "prefer to move to a system that would be compliant for all taxes".



Challenges of CT

Corporation tax will make very different demands on businesses to those under MTD for VAT as both come from very different starting points. While MTD for VAT imposes changes affecting record keeping and submission, the reporting frequency is unchanged. This is not the case with MTD for corporation tax which will add to the reporting frequency, with the prospect of quarterly submissions challenging current business processes. Consequently, digitalising the process could present some challenges.

Most corporation tax returns are prepared and submitted using commercial software but with MTD mandating digital record keeping and the increased frequency of reporting, it is essential that the systems used for record keeping and those used for compliance are tightly integrated. There is likely to be considerable disruption as a result. Data may need to be aggregated from multiple native data sources and linked through to the compliance software for example, effectively eradicating manual processes. This will see mechanisms such as 'copy and paste' become obsolete and may even lead to spreadsheets (88 percent of which are said to include errors) being phased out.

Automating data extraction and system integration will be of fundamental importance in smoothing out the introduction of these digital tax processes. But organisations don't need to start from scratch. The digital links implemented for MTD for VAT can be used to create a data pool that can in turn be used to obtain the information needed to complete these returns.

If data is taken from financial systems into a central data pool, consolidated into common formats (while retaining full version history and providing digital audit trails), businesses have the data readily available. An MTD for corporation tax compliance engine can then easily use this data to aid completion of the MTD submissions.

7. The Path to Compliance

Today, businesses are taking a short term view of MTD compliance that focuses solely on the submission criteria for 2019. While a bridging solution is fine for meeting the submission requirements, the more complex implementation of digital links will require more sophisticated data extraction and those that put off this requirement, risk having to reinvest.

To avoid this scenario, the transition to MTD for VAT needs to be planned. Businesses should seek to meet the compliance requirements of 2019 with a view to incorporating digital linking software and using advanced automated data collection and computation to satisfy all future MTD requirements. So the path of progression could evolve as follows:

- **Step 1:** Pre-test processes and satisfy the 2019 requirements by adopting a solution that creates a digital bridge between the existing VAT calculation and the HMRC API for submission.
- **Step 2:** Implement a solution that provides digital links from relevant source data and seamlessly integrates with the VAT calculation spreadsheet or compliance engine, satisfying the 2020 requirements.
- **Step 3:** Deliver business benefits by implementing a comprehensive end-to-end compliance solution which provides detailed calculations, data analysis, diagnostics and the benefit of having everything in one central location for audit purposes.
- **Step 4:** Implement a solution that integrates with your existing systems to provide a data connector designed to run autonomously in the background converting the stored data created by your accounting system into a single unified form for integration with your VAT and CT compliance solutions. This ensures that businesses are well placed to meet future compliance requirements e.g. MTD for corporation tax.

This approach removes the need for teams to revisit the solution as compliance requirements evolve and it also provides businesses with the means to implement mechanisms that will stand it in good stead in the future.

FUNCTIONALITY THAT FULFILS THE POTENTIAL OF MTD

The Digital Bridge: in its simplest form this takes data from the digital record, automatically populates the nine boxes, and submits the return. Yet add the ability to create "test" entities and simulate the end-to-end process and the business can identify issues or train staff before signing up to MTD. Add a dashboard displaying obligations, payments and liabilities data and suddenly it's not just a submission tool.

Digital Linking: using connectors, programmed to collect pre-determined data points at set intervals from the accounting system, a pool of data can be created and uploaded directly into the compliance calculation, while also providing a rich data source for data analysis. This approach avoids the need for costly systems integration and minimises disruption. The same system can be used to populate other tax returns, such as corporation tax.

The VAT Compliance Engine: enables the business to automate and streamline processes while benefiting from in-built tax logic that is constantly updated, covering complex requirements such as groups, partial exemption calculations, fuel scale charges, prior period adjustments etc. providing assurance though reporting, diagnostics and checks that the calculation is correct.

8. Conclusion

MTD for VAT is not just a mandatory compliance requirement. It represents an opportunity to embrace automation and transform the entire tax process while eliminating the prospect of errors and miscalculations. Yet as of now the majority of businesses have not devoted the time to assessing, selecting, and planning their transition or testing their processes to ensure they gain from these benefits.

A failure to plan the transition to MTD for VAT can result in the need for repeat investment, costly and complex systems integration projects, and disruption to business workflows. It means efficiency and productivity gains are lost as well as the opportunity to adapt more fluidly. In effect, businesses become stuck in a constant reactive stance to regulatory change.

In contrast, a gradual migration provides businesses with the ability to transition at their own pace and to scale to meet changes in the tax regime, from MTD digital link requirements in 2020 through to MTD for corporation tax and income tax post-2021.

To get to this point, businesses must have a clear roadmap. One that looks not just at today's compliance requirements but which makes provision for tomorrow and even future demands through the adoption of a step-by-step migration to MTD.

About Tax Systems

Tax Systems is a leading specialist in tax compliance and regulatory reporting technology and services, providing solutions that automate compliance, reduce operational risk and increase audit control.

We enable accounting firms and corporates to manage much of their end-to-end tax compliance processes and reduce operational risk associated with tax reporting obligations while building robust audit processes.

We design innovative products and solutions for organisations that want to use technology to increase the accuracy, auditability, control and efficiency of processes such as the corporation tax process. We also save time around the performance of manual compliance processes, freeing up skilled staff to undertake more complex, value added tasks.

Tax Systems is a limited company with offices in London, Farnham and Dublin. Tax Systems is the creator of Alphatax, the market leading corporation tax compliance software built over the last 25 years with £60 million in research and development investment. Alphatax is used by over 1100 customers including 43% of the UK FTSE 100 and 23 of the top 25 Accountancy firms. We have been working with HMRC for over 25 years on tax compliance and are an approved supplier for MTD for VAT with our AlphaVAT solution.

For more details on MTD for VAT, please visit our MTD for VAT Resource Centre.
Or to discuss your MTD requirements telephone **01784 777 700**
or email us at enquiries@taxsystems.com

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