Automating your compliance

Organisations are under pressure to do more, driving the need for automation.

Compliance is becoming increasingly complex. Many organisations now have to source data from multiple entities which tax professionals then laboriously record in spreadsheets. Our research indicates that, of the time spent on compliance, 75% is typically dedicated to manual data collection, and it's a problem set to worsen when tax authorities move to digital near real-time reporting. Should MTD for corporation tax arrive, we could see a four-fold increase in workload given that reporting may move to five times a year. Today, automating VAT processes for example can create real efficiencies; one mid-sized UK wholesaler using our AlphaVAT product will save 104 days per annum on VAT return processing by moving to a compliance software solution.
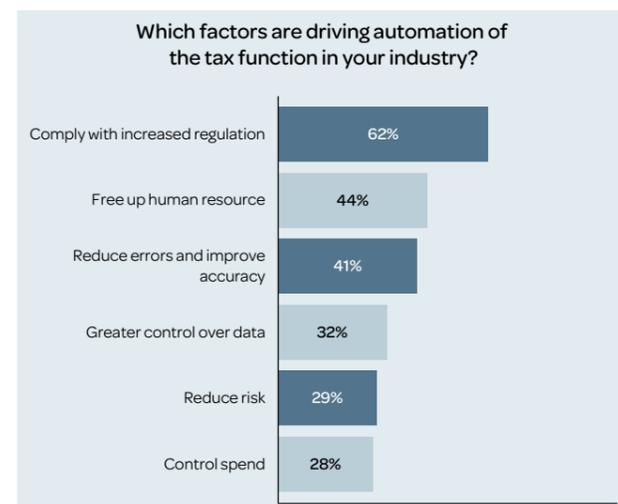
Spreadsheet based compliance processes can also often lead to mistakes. Estimates suggest 88% of spreadsheets contain errors while risk is further heightened in the way these are managed. For example, it can be difficult to deduce how and when changes were made, making it hard to rectify mistakes and impacting official audits.

Compliance initiatives such as MTD for VAT are seeing finance professionals required to perform a raft of digital calculations. In our recent survey of finance and tax teams, we found over half were looking for a software solution that could tackle larger or more complex data collection needs, and 88% were keen to automate VAT group consolidation, partial exemption, fuel scale charges etc. This also included Partial Exemption Special Method (PESM), unique to the business and agreed with HMRC in advance, which is used to evaluate the recoverable amount of VAT. Looking further ahead, nearly 40% also wanted a solution that would lend itself to MTD for corporation tax.

There's a clear driver for change. Tax professionals want to reduce the time spent on data collection, complex calculations and to reduce errors making it a process ripe for transformation.

Simplifying the complex

Automation of key tax processes is essential to reducing risk, improving accuracy and generating efficiency, freeing up human resource. Areas that benefit from automation include data management, calculations, data review and reporting. To cover all of these aspects of the tax process, we believe it's going to be necessary for many organisation to implement an end-to-end digital compliance solution.
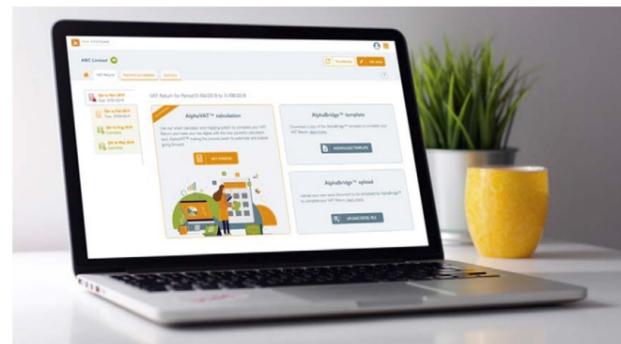
Obstacles in the tax process

- Elevated risk created by human error
- Disparity due to information held in various forms, sources and systems
- Dependency with data siloed
- Time-intensive tasks such as cleansing and validating data
- Poor control due to inflexible, outdated accounting packages
- Manual processes that make it difficult to identify and rectify mistakes

Introducing AlphaVAT

AlphaVAT is Tax Systems' cloud-based compliance engine that provides total control over the preparation, calculation and management of VAT returns, including complete visibility of present and past MTD obligations along with payments and liabilities at a group and entity level.

Suitable for any business that wants to automate their VAT reporting processes and limit/remove their reliance on calculation spreadsheets, AlphaVAT miminises the amount of data cleansing required and automates VAT calculations. This frees up tax resource, giving the tax professional more time to review data and perform analysis. The solution also features built-in tax logic, ensuring it keeps up to date with regulatory change.
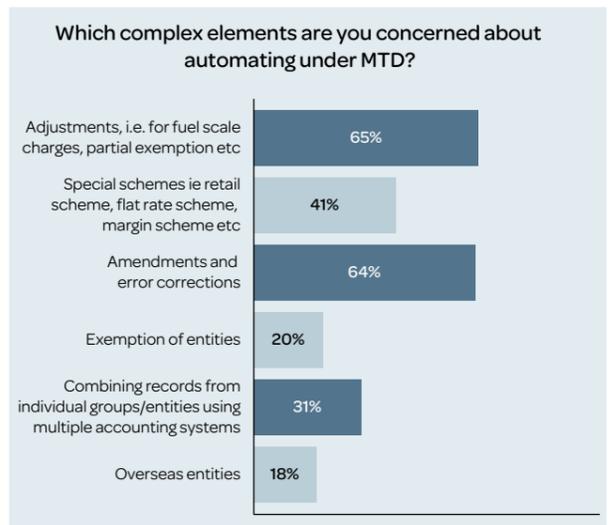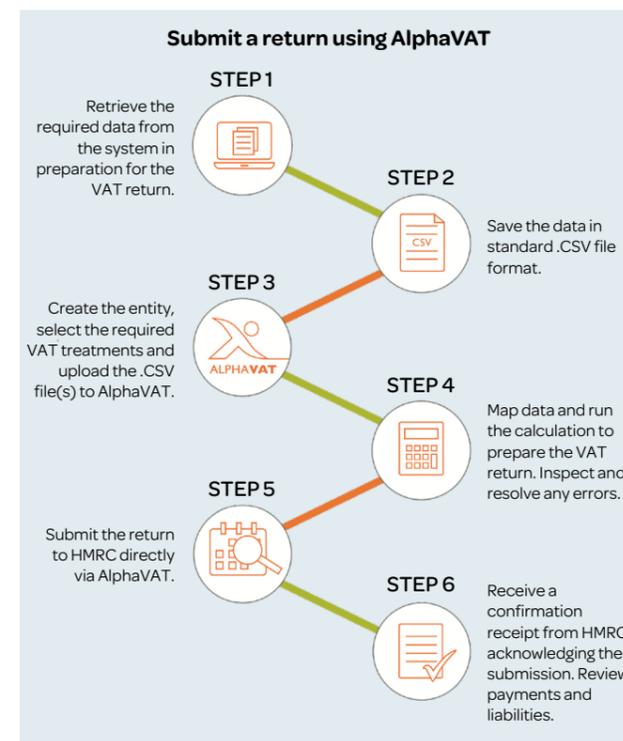
Key features

AlphaVAT offers:
- **Data management** – data mapping and extraction technology to collect, prepare, review and check data accuracy. It can consolidate, filter and interrogate large datasets quickly. This means datasets can be easily broken out into the correct accounting treatments for the VAT return, such as reverse charge and that transactions can be blocked from recovering input VAT or excluded from the VAT calculation. In-built diagnostics advises upon any logical errors.
- **Automated calculations** – calculations such as VAT groups and partial exemption, as well as transactions, are automated while preserving the capability to perform

manual adjustments. AlphaVAT uses calculation blocks to accommodate numerous treatments from sales and exports, to imports and exports, through to reverse charge calculations. Both Partial Exemption standard and special method are supported. Under standard method, transactions are filtered into taxable, exempt and residual while under special method it's possible to treat entities, sub entities or specific business activities as different sectors thanks to range of templates that cover special method scenarios. Over 20 sectors can be accomodated and, if necessary, each can be assigned a separate methodology. Attribution of direct and indirect VAT costs can also be automated. Collectively this then provides more time to review the recovery calculation and perform manual adjustments at year end. Calculation reports also allow drill down analysis to identify the origins of a VAT output and the tracking of historic returns means payments can be compared to quickly resolve discrepancies.
- **Process management** – controls provide the opportunity to analyse, organise and review return data at every step of the process. Role-based access can be applied to folders, entities and groups to assign and log access, ensuring a single touchpoint for digital audit trails. Secure access to Business Tax Account data together with a complete history of an entity's obligations, submission receipts and VAT return summaries, ensures the tax professional has complete visibility.
- **Reporting and security** – An MTD portal and simulated submissions ensure MTD compliant filing. AlphaVAT provides the mandatory link between the VAT calculations and HMRC via the regulator's API to submit the return. Security is assured as the solution uses two factor authentication and is hosted on Microsoft Azure datacentres in the UK.

Future development

As regulations change, so too will AlphaVAT. A dynamic agile platform, the solution will benefit from further enhancements with new modules to tackle bad debt relief, capital goods schemes, fuel scale charge and foreign exchange. The platform will also be extended to corporation tax, income tax and payroll.

AlphaConnect/AlphaLink

AlphaConnect is a powerful product which fully automates the collection and transfer of data from over 300 proprietary accounting systems to AlphaVAT. It requires minimal integration and can be installed within just 20 minutes. Both cloud and desktop versions are available.

For customers operating with a bespoke accounting system, we have developed AlphaLink. This provides similar capability by creating digital links from local/network folders into the AlphaVAT platform.

Which complex elements are you concerned about automating under MTD?

Adjustments, i.e. for fuel scale charges, partial exemption etc	65%
Special schemes ie retail scheme, flat rate scheme, margin scheme etc	41%
Amendments and error corrections	64%
Exemption of entities	20%
Combining records from individual groups/entities using multiple accounting systems	31%
Overseas entities	18%

Which factors are driving automation of the tax function in your industry?

Comply with increased regulation	62%
Free up human resource	44%
Reduce errors and improve accuracy	41%
Greater control over data	32%
Reduce risk	29%
Control spend	28%

Submit a return using AlphaVAT

STEP 1 Retrieve the required data from the system in preparation for the VAT return.

STEP 2 Save the data in standard .CSV file format.

STEP 3 Create the entity, select the required VAT treatments and upload the .CSV file(s) to AlphaVAT.

STEP 4 Map data and run the calculation to prepare the VAT return. Inspect and resolve any errors.

STEP 5 Submit the return to HMRC directly via AlphaVAT.

STEP 6 Receive a confirmation receipt from HMRC acknowledging the submission. Review payments and liabilities.

About Tax Systems

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Tax Systems is the creator of AlphaTax, the market leading corporation tax compliance software 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 a recognised supplier of MTD for VAT solutions with our AlphaVAT Compliance Suite.