

# AlphaVAT custom data checks

## Background

At Tax Systems, our AlphaVAT offering is already helping hundreds of organisations become fully compliant with HMRC's MTD for VAT mandate. Beyond the simple API submission of data, AlphaVAT ensures that our customers are fully 'digitally linked', as required from 1 April 2021.

## Reduce risk in your process

However, we didn't want to make AlphaVAT all about 'just compliance' and wanted to make sure it enabled our users to improve their controls around their source data and reduce their exposure to risk. We therefore spent time talking to our customers to work out where the most common 'pain points' are in current VAT compliance processes. What we found was that in most organisations, they spend 50-70% of the time in the process, simply wrangling data from one place to another and then checking that data to ensure that it is of the right quality for the VAT return.

## Standard data checks

The first step on this journey was the inclusion of some standard data checks, which were added to AlphaVAT in 2020. Checks for duplicate transactions, line items with non-standard VAT rates, as well as transactions that take place outside of the period, are all automated within the system.

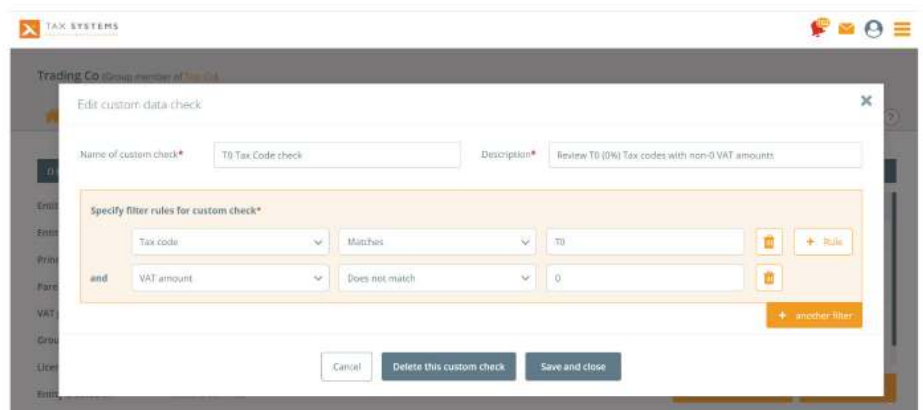
However, by speaking to our customers, we realised that this only catered for a sub-section of the checks that take place within a typical business. We learnt that in many instances, the checks that a VAT team carry out on the data are entirely custom to their business, and therefore need to be configured appropriately in a client's implementation.

## Introducing...custom data checks

So, we undertook to build in the facility for our customers to implement and carry out their custom data checks, automatically. To show you the power of the functionality, let's show a couple of examples:

### Example one: VAT on Tax Codes where there shouldn't be

One of our customers used a legacy accounting system that had been in the business for many years. In that accounting system was an old tax code, 'T0', that was an old zero-rated code no longer supposed to be in use. However, the Tax team found that 15-20 transactions a quarter were still coded to this code, and in some instances VAT was also posted on these transactions in error. Our custom data checks can be set-up as follows:



The screenshot shows the 'Edit custom data check' window. The 'Name of custom check\*' field contains 'T0 Tax Code check' and the 'Description\*' field contains 'Review T0 (0%) Tax codes with non-0 VAT amounts'. Under 'Specify filter rules for custom check\*', there are two filter rules: 'Tax code' matches 'T0' and 'VAT amount' does not match '0'. The interface includes buttons for 'Cancel', 'Delete this custom check', and 'Save and close'.

No.	No.	Taxcode	Type	Account	Nominalcode	Date	Details	Gross	Net	VAT	Rate
38	30293	T0	PI	Travel & Subsistence	6002	20/05/2017	Traveling expenses for customer engagement	604.96	504.75	100.21	0%
709	31003	T0	PI	Utilities - waste	7010	22/06/2017	Water charges - Glasgow	2582.27	2151.89	430.38	0%
729	31033	T0	PI	Utilities - waste	7010	22/05/2017	Water charges - Ashford	2838.27	2212.73	642.55	0%
1129	31425	T0	PI	Utilities - waste	7010	07/04/2017	Water costs - Ashford	202.27	210.56	43.71	0%

Rather than having to manually check the data in Excel, AlphaVAT is now able to flag all of the T0 transactions, and highlight the ones where VAT has been incorrectly attributed. The client can easily take the results of these checks and amend the data in their VAT return.

## Example two: Incorrect treatment of a supply type

In another client example, we found that there was a particular Account – ‘Energy saving materials’ where the invoice was often miscoded. For this customer of ours, they knew that nearly all invoices posted to this code should be partially rated at 5%.

However, when the AP team coded the invoices in the ERP system, they typically wouldn't know the nuances of the materials being ‘energy saving’, and therefore would often treat them as standard materials and allocate 20% VAT. To ensure that these were picked up, the customer could set-up the following data check:

Name of custom check: Energy Saving Material - Tax Codes  
Description: Review tax codes assigned to energy saving material supplies

Specify filter rules for custom check:

- Reference matches Energy saving materials
- and Tax code Does not match T5

This allowed them to check through all the invoices that they received each quarter of this type and immediately surface the errors that had been made.

Those errors could then be corrected, all in a digitally-linked manner, and then resolved in the ERP too.

CUSTOM DATA CHECKS  
OFFER **SIGNIFICANT**  
**TIME SAVINGS**  
COMPARED TO MANUAL  
PROCESSES THAT  
TYPICALLY TAKE PLACE IN  
EXCEL AT PRESENT.

No.	No.	Taxcode	Type	Account	Nominalcode	Date	Details	Gross	Net	VAT	Rate
45	30340	T1	PI	Energy saving materials	2008	08/04/2017	Heating & insulation in Ashford (West) offices	22370.04	18542.37	3726.47	20%
66	30361	T1	PI	Energy saving materials	2008	17/06/2017	Heating & insulation in Glasgow offices	15170.14	12641.78	2528.36	20%
347	30641	T1	PI	Energy saving materials	2008	26/04/2017	Heating & insulation in Glasgow offices	1401.92	1168.28	233.64	20%
667	30661	T1	PI	Energy saving materials	2008	20/05/2017	Heating & insulation in Glasgow offices	2897.12	2414.28	482.84	20%
887	31181	T1	PI	Energy saving materials	2008	07/05/2017	Heating & insulation in Ashford (West) offices	3993.92	3328.28	665.64	20%

## Types of custom checks that can be carried out

We have built the custom checks in a flexible manner, so that almost any check that might be required can be added to the system. The checks can be targeted at any of the columns of data, so users can add them on Tax Code, Account Code, Account Description, etc. Any column that is mapped into the software can be checked against.

This ensures that the checks are powerful and can be tailored to each individual ERP system, as we know that they're all different!

## Key benefits to customers

We believe that this functionality offers two main benefits to our customers:

- Significant additional control in the process, ensuring that all checks are carried out in an automated way and are surfaced to the user in real-time, for real-time resolution.
- Significant time savings compared to manual processes that typically take place in Excel at present. For some customers this equates to multiple days per quarter in their VAT reporting process.

