

10 things to consider when purchasing a Making Tax Digital software solution for VAT and ITSA

Selecting the right Making Tax Digital (MTD) software for VAT and Income Tax Self-Assessment (ITSA) compliance is essential for businesses and accounting practices. The MTD initiative introduces new requirements for maintaining digital accounting and tax records and how businesses submit tax data to HMRC. It's crucial to ensure any software you use meets these requirements. For smaller businesses, MTD might prompt a move to digital solutions.

The software providers which make up BASDA's membership have been through thousands of software purchasing cycles. Our set of best practice software selection guides distils this experience to help your business make the right purchasing decisions and can be found at www.basda.org/bsg

This guide focuses on MTD software for VAT and ITSA. We suggest you read it in conjunction with either our **Selecting Business Software Guide (for medium and large organisations)** or our **Selecting Business Software for Small Business Success**. These provide tips and tricks relevant to selecting all types of business software. You may also find our **10 things to consider when purchasing Accounting Software** useful.

Here are ten key considerations to guide your decision:

1 Full accounting software vs. bridging software

Determine if you need comprehensive accounting software with MTD capabilities or just a bridging software that links to Excel files. Bridging software uses Excel imports to populate VAT and ITSA returns for HMRC submission without recording transactions in accounting software.

2 Support for broader operations

Consider whether the software can support other business operations. MTD might be an opportunity to review and upgrade your overall accounting and business software, leveraging MTD as a catalyst for broader digital transformation.

3 HMRC recognised software

Ensure the software is listed by HMRC as MTD-compatible for both VAT and ITSA. Check HMRC's updated list of software solutions, categorised as either already available and compatible or in development. Confirm the availability timeline if your preferred solution is still in development.

4 Case studies and references

Request case studies and reference from prospective software providers. This is particularly important for comprehensive accounting solutions to ensure they perform well under MTD requirements for both VAT and ITSA and are supported adequately.

5 Reporting capabilities

Verify that the software meets your specific reporting needs. Smaller organisations might need basic reporting, while larger ones may require advanced reporting capabilities integrated with CRM or Practice Management modules.

6 Security features

Assess the software's security measures, including data storage, access controls, and disaster recovery plans. Post-Brexit data storage location may also be a factor to consider.

7 Data extraction

Ensure the software allows easy extraction of your data. You should be able to download and transfer your transaction data if you switch providers or terminate a contract, as the data is your property.

8 Software trial

Arrange to trial the software with a 'live client' before purchasing the software. This way you can check if the software meets all the requirements you need to meet your compliance obligations. You could also join the MTD for ITSA beta programme if you wanted to better understand the work involved ahead of mandation.

9 Cost and pricing structure

Compare the costs of MTD-specific solutions versus wider accounting systems. For accounting practices with multiple clients, negotiate volume discounts and consider long-term pricing structures.

10 Implementation plans

When deciding which software you are going to use to meet your MTD regulatory requirements, ensure you have an implementation plan to roll out your new software. This will make sure you will get the best out of your new software.

By considering these factors, you can select an MTD software solution that meets your needs and ensures smooth compliance with HMRC's requirements for both VAT and ITSA.

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