

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

It is vital to select the right software for your business or to recommend to your clients if you are an accounting practice. The Making Tax Digital (MTD) initiative adds new requirements for maintaining accounting and tax records and for how you will transact and communicate with HMRC. You should check this functionality will be provided by any existing software you use. Especially for smaller businesses, MTD may act as a catalyst to change or select new software to digitise your business.

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 Making Tax Digital for VAT. 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.

1 Do you need a full accounting software solution which includes MTD capabilities or just software to link to Excel files (often called 'Bridging Software')?

Bridging Software uses Excel imports to populate a VAT return for submission to HMRC. Transactions are not recorded in any accounting software. HMRC requires the transactions to be linked to MTD-related spreadsheets from April 2020.

2 Can the software support other elements of operations?

Software can be an 'efficiency enabler' in many business areas so consider whether the need to support HMRC's MTD initiative should kick-start a more fundamental review of your accounting and wider business software needs and use MTD as a catalyst for digitisation and change throughout you or your client's business.

3 Is the software on HMRC's list?

HMRC are regularly updating a list of MTD-relevant software solutions which can be found at:

www.gov.uk/guidance/software-for-sending-income-tax-updates

Solutions are listed as either:

- Already available and compatible (only software that has submitted live VAT returns successfully).
- In development. If your preferred solution is in this category seek clarification as to when a compliant version will be available.

4 Are case studies and reference customers available?

Can your prospective software provider supply relevant reference customers and case studies? This is especially important if you are purchasing a full accounting software solution to give you comfort that the solution performs as expected even in the MTD pilot period (prior to April 2019) and that the software is appropriately supported.

5 Can the software provide reports that meet your specific needs?

Businesses and accountancy practices often have their own preferred reporting formats so it is important to understand what flexibility your chosen software has in the area of report writing. Simple software focused on smaller organisations which might provide little in the way of report writing capabilities. Larger organisations may require a front-end CRM/Practice Manager module which will often provide bespoke report writing capability. Carefully check your prospective solution meets your reporting needs.

6 Is the software suitably secure?

Storage and security are crucial in a world of increasing cyber attacks. Make sure you know where your data is stored and ask your software provider what security arrangements are in place to prevent security breaches and for a copy of their disaster recovery plan. Ask where the data is stored. The country where your data is held may become increasingly relevant after Brexit.

7 Does the software easily enable you to extract your data?

Whilst the software Intellectual Property is owned by the provider, the data regarding your transactions is yours and should you have a need to change software provider and/or terminate a contract, you should be sure that there is a clear procedure for downloading your data to store or transfer to another software solution.

8 Can you find time to trial the software with a 'live client' ahead of the MTD go-live date?

When implementing any kind of software, it is always prudent to test the new process. Check with your software provider if you can participate in the HMRC MTD pilot. The software provider will need to be ready to join the pilot and HMRC will need to assess whether your VAT return is eligible to be filed as part of the pilot.

9 Is the software appropriately priced?

Compare the cost of a solution which just addresses MTD vs. a wider accounting or business system. If you are an accounting practice looking for a solution to support a large number of clients, you may be able to negotiate a volume discount price for the software and have this apply over an extended period.

10 Start ASAP so you can implement a solution for your business or client-base that's ready before the HMRC deadline

We strongly recommend that you start your software selection, test and implementation processes ASAP, especially if you are an accounting practice which has a significant numbers of clients. For those with multiple clients, it is crucial that you ensure that you have sufficient time to re-register all your clients with HMRC for MTD. The process requires each client to interface directly with HMRC and to give permission to be moved to the MTD platform.

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BASDA
The Voice of UK Business Software

Published by:
BASDA – Business Application Software Developers' Association
PO Box 118, Dursley, Gloucestershire GL11 9BU
T +44 (0)1494 868030 E marketing@basda.org

