BASDA
The Voice of UK Business Software

Summer Bulletin 2022

Message from the CEO

An update on activities and future initiatives
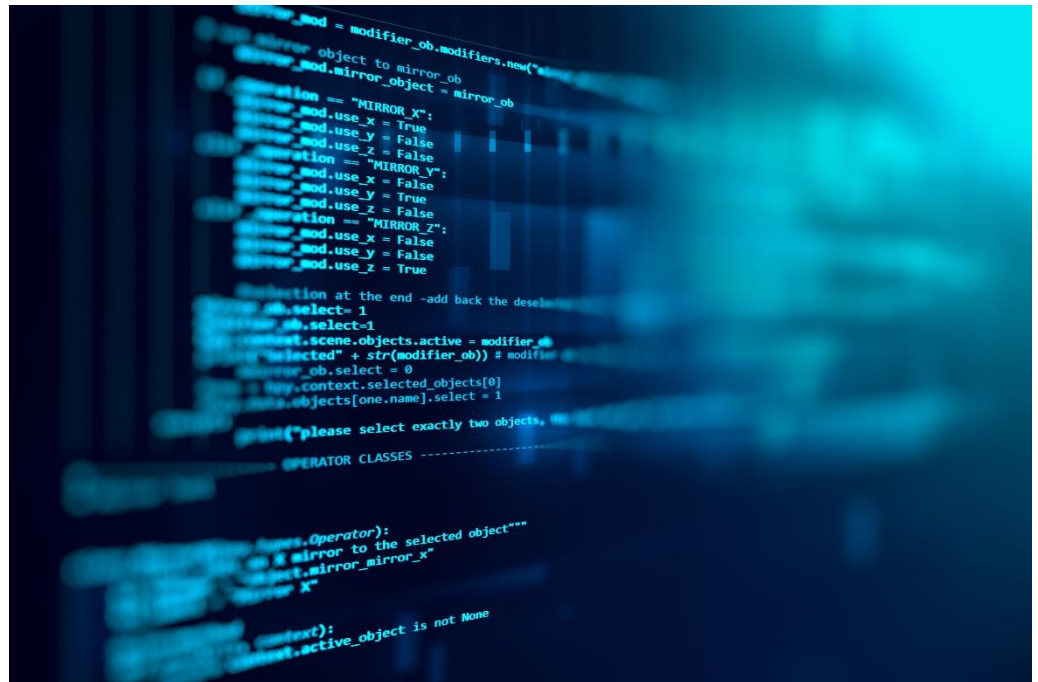
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New Member Welcome

2022 Annual Summit

Message from the CEO

- **Kevin Hart, CEO and Executive Chairperson, BASDA**

Welcome to the BASDA Summer 2022 Bulletin.

A busy quarter since our last bulletin.

Help to Grow
We continue to lobby BEIS for a fit for purpose scheme and one that embraces accountants. Wave 1 launched at the beginning of this year and we are one a few members of BEIS' Digital Advisory Group to help set the strategy for future waves – product and customer categories and entitlements. We are delighted to report that one great outcome is BEIS'

agreement to reduce the customer entitlement from a minimum of 5 employees to only 1 employee, thus widening the opportunities for all.

BASDA is also leading further work on allowing 3rd parties to participate – particularly accountants/bookkeepers (for the lower end of the SME entitlement, which is between 1 and 249 employees) and VARS, Integrators and Professional Service arms for the medium to higher end of the target SME range. BASDA is also lobbying for Payroll (&HR) to be a future category for all such SMEs.

As a reminder, **Help to Grow: Digital** is a UK-wide government-backed scheme that aims to help businesses choose, buy and adopt digital technologies that will help them grow their business.

Eligible businesses can receive a 50% discount on buying new software worth up to £5,000 per SME, alongside free impartial advice and guidance about what digital technology is best suited to boost your business performance.

MTD for Income Tax & Self-Assessment (ITSA)

We are deeply engaged in a number of areas here, given members' concerns – participating in all of HMRC's working groups on the various topics along with bi-weekly dedicated meetings with senior management on issues, including a BASDA proposal on Free Software. This is an important area driven by BASDA with our Senior Leadership Forum to ensure our members, and the wider stakeholders' interests are best served.

I, personally, am also having escalation discussions at very senior levels in HMRC and beyond to get key ITSA issues resolved and am also working closely with key accounting rep body personnel to ensure a collaborative effort as we share many of the key concerns.

International

HMRC reached out a little earlier in the spring and asked u to support meeting with a delegation from Nigeria's government, who were visiting the UK. They were keen to learn about our model for MTD and HMRC engagement along with BASDA's structure and approach in order to emulate the positive attributes as they also plan their digital tax strategy. It was well received, and we will share any further insights gleaned.

Important date for your diary

I'm delighted to confirm that we will return to a physical Annual Summit which will enable us to meet each other in presence at The Wellcome Collection, London on **13th October**. I'm extremely pleased to announce that we have

secured the deputy CEO for HMRC – Angela MacDonald - as our keynote, who will be sharing some great insights into HMRC's future and accompanying plans – including resourcing their transformation. This links to the key topics of talent development, acquisition and retention strategies which underpin the event to help you build your business in order to fully capitalise on all future needs and opportunities.

I look forward to welcoming you and your colleagues there – more detail later in this bulletin. **Do save the date – 13th October.**

New Appointments – General Council

I'm delighted to welcome a new face to the BASDA General Council - the governing body of BASDA which considers all matters of policy, strategy, and key priorities – under the overall BASDA constitution. The General Council also conducts any other business as deemed necessary to carry out the aims and objectives of BASDA and is the driving force behind BASDA.

<u>Stuart Miller</u> – Product Compliance and Industry Engagement Manager (UK Product), Xero

Stuart was nominated at the 2022 AGM. With over 20 years of combined

accountancy and software experience as well as working with HMRC on a regular basis, Stuart takes on the mantle of Chairperson of the Accountants in Practice Specialist Interest Group (more below on their activities). He senses that the role of BASDA will be even more significant to the software community in the coming months and years due to upcoming regulatory changes. In addition, Stuart will be looking into the future state of the software market when referring to OECD Tax Administration 3.0. He is passionate about making sure the voices of BASDA members continue to be represented.

Specialist Interest Group (SIG) – Updates

These SIGs are key to our value proposition and so selecting which ones are best for you and your colleagues and actively engaging will significantly help ensure that you and your businesses derive optimum value from BASDA.

We are committed to talent development. Membership of our groups often help individuals develop further, both personally and professionally, both within and sometimes beyond their organisations. As a result, we have a few vacancies, as you will see in the following table. If you are interested in taking a more active leadership role on any of the SIGs listed, please email marketing@basda.org for more information.

Ability SIG

Pauline Green, Chairperson

To demonstrate commitment to a broader inclusivity agenda across the wider software industry.

There has been lots of work undertaken in the background, in particular working with AbilityNet, to ensure we have relevant topics covered and speakers who can articulate the requirements.

As a reminder there are 4 accessibility requirements, which HMRC currently use on their "Find software for MTD for VAT" which are:

* Cognitive
* Visual
* Hearing
* Motor

These 4 criteria will also be used for MTD for Income Tax (MTD for ITSA).

What you may not have seen is that if you as a software supplier sign up to HMRC Developer Hub you are agreeing to the specified "Terms of Use" which, along with data protection and security requirements, commits you to the accessibility requirement which is as follows:

Accessibility

You must:
* *meet W3C's Web Content Accessibility Guidelines 2.1 at a minimum level of AA if your software's web-based, or W3C's guidelines for mobile software*
* *give HMRC evidence that your software meets the guidelines, if they ask for it*
* *ask for support if you have any concerns meeting these guidelines*

The plan going forward is to have a quarterly meeting – over lunch for about 1 hour – to focus on one of the accessibility requirements. First up was a well-attended member webinar on 30th June on "Cognitive". This was open to all – not

just members of the Ability SIG so for future events please invite other members of your company and encourage them to join our webinars. Sign up by simply emailing marketing@basda.org.

Next date to be advised shortly.

I know I find it difficult to understand this particular accessibility issue. With the other 3 I think it is more obvious what the implications are.

Some of the conditions that can impact people using software are:
- Autism
- Dyslexia
- Memory loss

And some ways to help with this are:
- Think about how you require passwords to be remembered
- Give different options to learn or contact you
  - Some may want to avoid videos, podcasts to non-text content while others may prefer it!
- Consider how blinking pictures or other distractions may impact on the user
- Review time limitations – especially with forms which can cause the user to become frustrated!

Accountants in Practice SIG

Stuart Miller, Chairperson

'***To bring together software developers, accountants and accountancy bodies, and representatives from the regulatory bodies such as HMRC, Cabinet Office, Companies House and even MPs to drive better, fit-for-purpose outcomes for all users. This also includes all our MTD work.'***

The AIP SIG has been working on a number of issues that have been raised by BASDA members during the quarter. BASDA has held a number of meetings with HMRC regarding Making Tax Digital and identifying the importance of giving members access to their communications plans and roadmaps so we can not only support our customers but also support HMRC with their MTD project.

Members of the AIP SIG have also been involved in discussions with HMRC on the topic of the availability of free software and the criteria a user needs to meet to be eligible for free software along with being involved in BASDA's trusted vendor status proposals to HMRC.

As noted earlier this year, HMRC had approached BASDA to co-create a software charter regarding transferring data from one vendor to another. Our initial meetings were to gather information from HMRC and pass this information to members. Following feedback from AIP SIG members, we have returned to HMRC with our concerns and comments and requested they revisit this to see if there is actually an existing issue where a taxpayer does not meet their compliance requirements moving from one vendor to another. We will provide further updates once we receive a response from HMRC.

Heading into the next quarter, we will be reviewing the proposed changes for filing Small Company accounts with Companies House along with any changes required for director verification when setting up a new company.

Those who attended HMRC's Digital Implementation Forum (DIF) last month will have seen HMRC provide details for their Update & Submit service. We are keen to discuss this in more detail with HMRC alongside on-going discussions regarding free software availability for Making Tax Digital.

Once we have received some more detailed information from both Companies House and HMRC, we will arrange SIG meetings to discuss these topics.

If there are other topics that members feel the AIP SIG should be covering, please reach out to me and we can discuss this.

Construction SIG

Liam Tumulty, Chairperson

'To maintain close links with decision making processes within government that affect the delivery of construction software, and wherever possible, influence the implementation of policy.'

The Special Interest Group for Construction focuses on statutory compliance areas including CIS tax, CITB levy and VAT for construction businesses, liaising with HMRC and others as necessary for the benefit of members.

During the period I joined the HMRC Construction Forum whose aim is to allow open communication between HMRC and construction sector representatives with a particular focus on the Construction Industry Scheme (CIS).

HMRC Update MTD - Construction Industry Scheme

In line with the MTD Programmes the implementation of CIS has been delayed by a year and the mandatory rollout will now be from April 2024. This is in order to ensure that HMRC is able to provide a robust and supported service as possible. In the long-term, subcontractors will be able to view the deductions suffered and reconcile them in real time with their ITSA obligations. The changes are tied up with the MTD roll-out and there will not be a separate platform to view deductions.

HMRC advised that the intention under Making Tax Digital (MTD), is that individuals in the construction sector will be able to view CIS on a quarterly basis when they make their quarterly returns, the deduction CIS suffered in the quarter. This will enable reconciliation.

Construction Reverse Charge
Construction Reverse Charge has been live for over a year now – many contractors are still unclear of the rules. However, HMRC is running regular webinars on reverse charge these are amongst the most popular webinars – perhaps indicating a lack of knowledge in the industry. HMRC webinars covers, for example, Reverse Charge VAT, Impact on cashflow, Managing the change.

The Webinars are a useful source of information for contractors getting familiar with reverse charge and its implications.

Currently there are no plans to include main contractors CIS Verifications and CIS returns in the MTD programme- these will follow completion of the current MTD programme.

Construction Industry Training Board (CITB)

The CITB are planning to modernise their payments and collections model and we held a meeting to discuss this in March 2022. The CITB will now review requirements with the intention to produce a design for API. A follow up meeting will be planned in due course.

Other Areas of Interest

MTD for VAT is now business as usual and full digital record keeping is now mandated. Also note VAT penalty point regime changes from the 1 January 2023 to a "point" based system.

Audit regulatory changes following, amongst others, the collapse of Carillion, will include the replacement of the Financial Reporting Council(FRC) with the Audit, Reporting and Governance Authority (ARGA). Changes include proposals to increase audit competition and strengthen checks on internal controls and business processes.

Changes to the Banking codes will impact the construction industry as purpose

codes will include construction codes. The codes will be mandated from 2024. There are 127 identified including specific property codes - developers should look to include these codes and enriched data in development.

Payroll, Pensions & HR SIG

Pauline Green, Chairperson

'To provide effective collaboration and engagement between members and all stakeholders across government (inc. HMRC, DWP) and wider, similar groups to drive better, fit-for-purpose outcomes for all users.'

As chair of the payroll, pension, and HR SIG, I represent BASDA at the quarterly Employment and Payroll group. The most recent EPG meeting included the following topics for discussion:

- **Health and Social Care Levy (H&SCL)**. While there is a bank of questions from the EPG, we cannot currently share that more widely. However, guidance will be issued early 2023.
- **Hybrid/homeworkers expenses.** It is believed the current legislation and guidance is fit for purpose. The micro service will continue for the tax year 2022/2023.
- **Negative earnings feedback**. Discussion on how the clawback works and is relevant, particularly around certain industries e.g. financial service industry and the position of NIC's was discussed.
- **Child maintenance.** The team shared more information regarding the BACS field #10. If desired, we can arrange for the team to come and talk to us. **Please provide feedback if you feel this is worthwhile.**
- **Freeports and veterans.** Confirmation that general guidance has been issued. Detailed guidance is expected by 6 April. A heated debate followed around the FUST/EB5 guidance. Particularly the fact that HMRC was specifying that

the FUST had been inserted on each national insurance letter at the request of software developers. It was refuted strongly as we have not been consulted.

- Minutes from prior EPG meetings can be found here. The minutes from this latest meeting will be published here in due course.
- If you have any questions that you wish to raise at future EPG's then please send them

I am also asked to provide feedback via direct requests from our various contacts in HMRC. Recent discussions have included:

- Messaging on the payslips re: Health & Care levy
- Hypothetical changes to NIC's PT – although that did happen in the end! On this all I can say is that all the various pros and cons of different proposals were put forward. The final decision was made by the Chancellor based I assume on lots of different inputs other than just payroll software's.

As always, I ensure all our members voices are heard in these meetings.

We also recently held a Payroll, Pension & HR SIG meeting which Dawn from HMRC and Andy from The Pensions Regulator attended and gave an update on the new tax year. We will be looking to hold these meeting more regularly going forward. If you have any topics, you want discussed in these please send them into the Payroll Pension and HR SIG.

Post-Brexit Working Party

Matthew Walters, Chairperson

'To ensure effective understanding of and engagement with the policy outcomes arising from Brexit – particularly regarding the Northern

Ireland Protocol and other such changes resulting from the EU exit.'

The post-Brexit Working Party continues to be interested in the effects of Brexit and how requirements for trade between GB, EU, and NI continue to evolve. We are also looking further afield – beyond the EU – to see how the accounting software industry can help our members benefit from access to wider and developing markets.

We recently had an interesting session with a webinar attended by speakers from HMRC, covering the Second-hand Motor Vehicle Export Refund Scheme and its implication for VAT accounting in software.

Whilst Brexit is officially 'done' there are still developments that we need to be aware of that may impact our customers. An example of this is the initiative introduced by the government on 28/4/22 with

'… a new approach to import controls to help ease the cost of living pressures, confirming that the remaining import controls on EU goods will no longer be introduced this year. Instead, traders will continue to move their goods from the EU to Great Britain as they do now.'

The Government will now review how to implement these remaining controls in an improved way that harnesses innovative new technologies, with further details to be published in a new controls regime targeted to come into force at the end of 2023. ' This reverses – for the time being at least – the requirement to implement certain controls from July 2022, which are no longer required.

HMRC is still committed to closing the CHIEF system (Customs Handling of Import and Export Freight) and replacing it with the CDS (Customs Declaration Service), with CHIEF closing for imports after 30/09/22 and exports after 31/03/22.

The results of recent elections in NI have led to much speculation about the future for the island of Ireland and for the Northern Ireland Protocol.

On 17 May the Foreign Secretary, Liz Truss, updated the House of Commons on the government's intention to introduce legislation to make changes to the Northern Ireland Protocol.

During her statement, the Foreign Secretary reiterated the UK Government's responsibility to fix issues facing communities in Northern Ireland, including elements of the protocol that have created barriers between Great Britain and Northern Ireland, while maintaining those elements that preserve North-South trade and co-operation on the island of Ireland.

This legislation is being introduced alongside the government seeking to continue negotiations on the protocol.

The government will be working closely with business as HMRC develop the new arrangements – the UK Government wants to work with business representative bodies to ensure that any changes work for all businesses; ensuring arrangements can operate smoothly to preserve trade and co-operation across the island of Ireland and between Northern Ireland and Great Britain.

HMRC advise that they will give plenty of notice before any changes come into effect – the UK Government will give businesses and citizens clarity and certainty about the new arrangements they will put in place. There will not be any changes to how things work without HMRC communicating that to businesses well in advance.

We will be keeping a close eye on proceedings and will schedule further webinars where appropriate.

If you would like to join the working party or can share some specialist knowledge with the group, please do get in touch via marketing@basda.org.

Welcome New Members

On Demand Technology Limited delivers Tax on Demand (ToD) an AI-powered tool, designed exclusively for accountants and available via a subscription-based SaaS platform.

First B2B is a fully managed electronic document exchange for your business.

Sentinel Technologies delivers integrated, customized IT solutions

Annual Summit 2022 'Building the Software Developer Business of the future'

Our Annual Summit is back! I'm delighted to confirm that a one day, in-person, event will be held on **13th October at The Wellcome Collection, London**. This will be a fantastic opportunity for BASDA members to gain practical and insightful

information with high profile external stakeholders and expert practitioners taking us through a series of presentations, panel discussions, breakout sessions and networking.

Our Keynote Speaker is **Angela MacDonald CBE, Deputy Chief Executive and Second Permanent Secretary, HMRC.** Angela will be presenting on HMRC's 10 year vision and what the key challenges facing HMRC into the future will be, including how HMRC will be resourcing for those planned initiatives and what their future workforce looks like. This will lead into further presentations throughout the day discussing the changing business landscape including regulatory, technical and commercial environments, talent retention and recruitment challenges.

There will be an opportunity to network throughout the day and meet fellow members and engage with our fantastic line up of speakers.

The event is now open for registration and booking. All information can be found at https://bit.ly/3Pf4ShC.

Look forward to seeing you there!

Stronger Together

Thank you for your ongoing engagement and continued support. Now, more than ever, it is key that we collaborate most effectively as an industry - to the benefit of all. We are 'stronger together'.

Warmest regards

Kevin Hart

CEO & Executive Chairperson