

## Setting the record straight about software and MTD

We read with interest last month's article published by Accountancy Age, '[Software market unready for looming MTD deadline](#)'. We would like to highlight the fact that VAT registered businesses and those who will be caught under the forthcoming MTD for Income Tax (MTD ITSA) do not have to use "complicated and expensive" software in order to comply with MTD.

Much of the article focused on VAT registered businesses and future income taxpayers being 'railroaded' into buying costly and over-complicated end to end accounting software. Only the last couple of paragraphs mention MTD compatible bridging software as being an alternative cheaper option.

So here is our response to some of the points made:

### **Bridging software is a valid MTD for VAT and Income Tax option**

The article says, "Bridging software has become a point of contention in the MTD dialogue due to speculation of it being non-compliant. Though generally regarded as a misinterpretation, many believe it to be likely that HMRC will rule it out further down the line."

At Absolute, this is "fake news" that we regularly hear from prospective users. Interestingly, it is usually what they have been told when speaking to larger accounting software suppliers. It was particularly prevalent during the run up to the end of the Phase 1 soft landing period in April this year, and will no doubt raise its head again during the later stages of Phase 2 in April 2022 and Phase 3, MTD for Income Tax, in April 2023.

This information is wrong!

We have repeatedly said this, based on confirmation we have received from HMRC and the information they have published on their website. For example: HMRC's VAT Notice 700/22: Making Tax Digital for VAT, which was last updated on 7 May 2021, states:

#### "4.2.3 Bridging software

This is a digital tool that incorporates the relevant Making Tax Digital APIs needed to connect accounting software to HMRC systems. It allows the required information to be reported digitally to HMRC, and for HMRC to communicate digitally with the business. (The Absolute Excel VAT Filer uses the VAT MTD API.)

##### 4.2.3.1 API-enabled spreadsheets

These are spreadsheets that incorporate the relevant Making Tax Digital APIs. They can either:

- combine with accounting software to digitally submit the required information to HMRC and allow HMRC to communicate digitally with the business
- be used to keep digital records and then directly submit the required VAT information digitally to HMRC."

At no point has HMRC given any indication that they intend to stop the use of digitally linked Excel spreadsheets. In fact, when directly asked they have said that they have no plans at all to cease using spreadsheets. And bluntly speaking, it would be incredibly naïve of HMRC to think that landlords and low income self employed people would be happy to sign up to onerous, complicated and expensive accounting and tax return software.

## **MTD compliance does not have to be expensive or complicated**

The Accountancy Age article focuses largely on businesses having to use expensive and complicated accounting MTD compatible software. The aim of any bridging software product is to make the digital filing of VAT returns (and future income tax returns) as quick and simple as possible.

Absolute has achieved this (our customers are constantly telling us so!) and our Excel VAT Filer (EVF) bridging software is one of the easiest and most cost effective pieces of bridging software on the market. We have small accountancy practices as well as “one man bands” to multi-national businesses who use EVF. In some cases the latter have their own bespoke VAT software but use EVF to digitally link their VAT information to HMRC.

Used by both businesses and agents, the simplicity of the product has resulted in it being used by over 13,000 users who have so far filed nearly 400,000 VAT returns.

Creating a simple to use product that costs just £40+VAT for a 12 month licence and can be used for up to 10 traders, is why we receive such glowing [testimonials](#) from our users. On top of that EVF users receive free and unlimited email technical support and the software includes a built in ‘Knowledge Base’ function which tells you how to fix rejected VAT returns. There is also a client portal which enables you to check and reprint previous VAT submissions, as well managing your EVF licences ahead of their expiry dates.

Plus, unlike other software providers who offered free MTD software and then significantly increased the price at the first renewal, our software has been £40+VAT since we launched it and we have no plans to change this price point.

## **Phase 2 MTD for VAT**

For VAT registered businesses affected by Phase 2 of MTD which comes into force in April 2022, the EVF already provides a simple and inexpensive way to be MTD compliant. We would urge any such business to check out our EVF before considering complicated and costly accounting packages. You could save yourself hundreds if not thousands of pounds and also save yourself hours of wasted time trying to get to grips with a new accounting system, which you may not need.

## **MTD ITSA bridging software**

On the strength of the success of our Excel VAT Filer software, we are currently in the process of working with HMRC’s set criteria to develop similar bridging software for MTD ITSA. As with the Excel VAT Filer, our aim is to create a product which is:

- MTD ITSA compatible;
- easy for agents and individuals to use (particularly those who have never kept accounting records or spreadsheets for their Self Assessment tax returns);
- capable of providing a digital link to HMRC if the business/landlord uses a bespoke accounts package which isn’t MTD compatible;
- does not require additional software to make it work;
- is a low cost alternative to buying end to end accounting software.

The ITSA Filer is currently being developed and we hope to have HMRC approval for the software later this year, once the new MTD ITSA regulations have been finalised.

## **More information and register your interest**

Further details, including how to purchase our Excel VAT Filer bridging software can be found [here](#).

If you would like to be added to our mailing list to receive further information about our MTD ITSA Filer software, when it is nearing the end of its development stage, please email Dave Frost at Absolute at [dave@absolutetax.co.uk](mailto:dave@absolutetax.co.uk).

And of course, if you have any questions about MTD and the validity of bridging software for VAT or Income Tax purposes, please do get in touch at [sales@absolutetax.co.uk](mailto:sales@absolutetax.co.uk).