

# Minutes of VAT Software Developer Forum

100 Parliament Street, London  
25 November 2008 11.00 am to 2.00 pm

## Attendees

Sada Osman (SO) - Deloitte  
Peter Swann (PS) - Deloitte  
Alan Wright (AWR) - Liberty Accounts  
Alan West (AWE) - Dataflair Systems  
Dave Parker (DP) - Sage  
George Hampson (GH) - HMRC  
Jack Fletcher (JF) - HMRC  
Katherine Thompson (KT) - HMRC  
Chas Coysh (CC) - HMRC  
Pam Jones (PJ) - HMRC  
Mike Halligan (MH) - HMRC  
Tim Minshull (TM) - HMRC  
Nigel Stockdale (NS) - HMRC

## 1. Welcome and introductions

TM thanked everyone for attending and gave an overview of the aims of the meeting.

### 1A. Details of changes announced in the Pre-Budget Report 24 November 2008

GH outlined the details of the changes to VAT rate from 1 December 2008 for 13 months and advised that HMRC had contacted software developers with guidance offering Katherine Thompson as a contact for technical VAT questions.

GH advised that HMRC viewed software houses as key stakeholders and due to the short time scales needed software houses to work closely with their customers. He requested that software houses keep HMRC informed of upgrades and reminded them to direct technical queries to the software developers support team whilst directing VAT queries to Katherine Thompson.

AWR Highlighted that the change would cause an increase in helpdesk calls.

GH Advised that as long as returns were made with 'reasonable care' HMRC would not implement a strict penalty regime.

## 2. 'Carter' changes

### a) 'Business' changes overview

PJ gave an overview of the Carter Project business changes, the key points being:

#### What is the Carter VAT Project?

In March 2006, the Government accepted the recommendations of Lord Carter of Coles' Review of HMRC online services for:

- phased requirements for business to file their returns online
- rigorous testing to ensure the service is robust and reliable
- consultation with customers and agents to ensure that the service meets customers needs

#### How does this affect VAT traders?

Mandation - the first phase of mandate is planned for April 2010 and will apply to businesses with a turnover of £100,000 and more and those newly registered for VAT. These traders will have to submit their VAT declaration online and make their payments electronically. Paper filing will remain an option for existing VAT traders with turnover below £100,000.

### **Timetable**

- Local Test Service (LTS) - it is planned to deliver LTS in April 2009
- Third Party Verification Service (TPVS) - it is planned to deliver TPVS in August 2009
- Online VAT Service - migration to the new HMRC platform is planned for October 2009
- mandate of VAT traders - the recommendations apply from April 2010 at the earliest

### **What is to be delivered?**

The existing VAT e-filing services, plus a number of enhancements:

- allow authorised and unauthorised agent to e-file
- provide an HMRC filing service that offers a Welsh version
- provide open period information and other pre-populated data to users of the HMRC application
- validate incoming data according to a single set of business rules and respond to submitters about success or failure
- provide a view of historic returns which have been filed online by users of the HMRC application
- allow filing of the final return (VAT 193)
- provide an online filing service for government departments and health authorities

### **Carter VAT e-payment services**

- Allow currently VAT registered traders and authorised agents to set up Direct Debit instructions.
- Allow payment of balancing figure, by Direct Debit, for Annual Accounting traders.

PJ advised that whilst failure by a mandated trader to e-file would incur a penalty failure to e-pay would not. MH advised that for payments by check the HMRC will insist on the funds being cleared by the date due.

AWE asked when filling for less than £100,000 would be introduced.  
PJ advised that HMRC were aiming for 2012.

AWR asked if software houses would have to re-apply for recognition.  
TM advised that they may have to submit a limited set of scenarios covering the new functionality.

### **b) Technical changes**

TM gave an overview of the Carter project technical changes, the key points being:

- new message class for VAT decs
- changes to error message numbering and text
- renaming of IR Mark element to HMRC Mark
- VAT 193 final return option
- AAS balancing payment option
- LTS
- Test in Live (TIL) facility

AWR asked if there will be a crossover for the new message class.  
TM advised that this was not the intention.

AWR pointed out that this change will be difficult for pre-shipped software packages to implement.

DP advised that whilst the software houses can implement the changes they can not force their customers to use the latest versions and that less than 30 per cent of customers were actually using the most current version of SAGE software.

PS advised that an update can take up to 12 weeks to implement by external contractors due to security restrictions.

AWR requested that HMRC did not use the name HMRC mark advising the use of a non-specific name.

PS advised that monthly filers would find the time lines suggested very challenging.

DP commented that to introduce this change within the current economic climate may impose a large IT cost to bring compatible software into use.

PS asked if a client submitted an old style message would it be accepted.

DP asked if HMRC had considered running the two forms in parallel.

TM advised that HMRC had looked into running two forms in parallel but it was not feasible.

PS asked if submissions including the IR Mark would be rejected after the introduction of the HMRC Mark.

TM advised that it would be rejected as invalid.

AWR called for HMRC to keep the IR Mark or to call it the checksum mark.

TM mentioned that there had been a suggestion to call the IR Mark the Internet Receipt Mark - this suggestion was well received by the meeting. The point was made that with VAT we are dealing directly with traders who will view this change as unnecessary and costly for them to implement.

**Action point: Strategic Programme on the naming question - why change the name?**

TM asked if the software houses had used TIL.

AWR stated that the response messages can be confusing as test and live responses are the same.

TM advised that we have now separate message classes with different responses.

PS advised that agents can use TIL to test returns to ensure they are valid before providing returns to tax payers and that this is very helpful functionality.

TM asked if the meeting could foresee any issues around re-routing the old message class.

DP suspected that people will delay upgrading software in the present economic climate.

AWR felt that it should not be an issue to host two message classes.

### **3. VAT Refund Scheme**

MH gave an overview of the VAT Refund Scheme, the key points being:

- new service - EU VAT Refunds
- replaces paper claims made under 8th VAT Directive from 1 January 2010
- supported in Overseas Repayments Unit, Londonderry
- claims on other EU tax authorities made by UK business are handled by HMRC
- claims from other EU-state business sent to HMRC via own tax authority
- LTS

AWR asked why there is a limit to six countries per submission.

MH advised that the restriction was a result of bandwidth requirements as each country will require a scanned document which it is anticipated will be in the region of 5Mb.

The HMRC role in this service will be to accept claims and pass these onto the relevant EU country who may correspond directly with the claimant or via HMRC. This service is available to all users whether they render VAT100 online or not.

SO enquired as to what checks would be made on claims made.

MH advised that only syntax checks would be made.

SO asked what would happen if the incorrect tax had been charged.

MH has clarified since the meeting that we **are not to allow** claims to incorrectly invoiced VAT but must require them to be corrected. Where this is prevented by, say, supplier insolvency, then we would consider each case on its merits.

#### **4. EC Sales List (ECSL)**

MH gave an overview of the European Sales List, the key points being:

- with effect from January 2010
- VAT 101 - there is an obligation to render an ECSL that differentiates between goods and services
- the threshold published by the EU requires that it is rendered monthly rather than quarterly
- there is a new deadline of 14 days for paper and 21 days electronically
- the HMRC exchange deadline is one month

The main issue that this raises relates to non-standard tax periods.

#### **5. Penalties**

CC gave an overview of the new revised penalty regime.

HMRC are aiming for taxpayers to take reasonable care with their tax returns. To this a new sliding scale of penalties is being introduced:

- if a taxpayer can demonstrate that they have taken reasonable care in preparing a return they will be charged 0 per cent of the advertised fine
- they will be charged 30 per cent if they have not taken reasonable care with a return
- they will be charged 70 per cent if they have hidden information from a return
- they will be charged 100 per cent if they have made a fraudulent return

This gives commerciality to tax management as if a taxpayer buys software to check their software they will be judged to have taken reasonable care.

This raises questions of what are the indicators of a good software package and HMRC are currently liaising with the developer community on how to take this forward.

#### **6. VAT numbers - future change to modulus check characters**

MH gave an overview of VAT numbers, the key points being:

- VAT number introduced for 1 April 1973
- seven digit numbers with two check digits attached (derived using Modulus 97)
- number is used by VAT, Debt Management, EORI (TURN), Excise regimes
- current series expected to run out in 2010
- new series must be compatible with legacy and new systems (120+)
- over 800 systems examined and modulus 9755 created

MH advised that HMRC were happy to provide the new modulus check characters calculation to software houses if they put forward a business case to HMRC. This should point out that they support the HMRC objectives and will keep the calculation secret.

## **7. Future communications/forums**

TM enquired about the developers requirements for forums.

PD stated that in view of EU involvement with VAT these forums were needed but as changes were introduced.

## **8. Summary**

TM summarised what had been discussed.

## **9. Any other business**

The meeting closed at 2.05 pm

**Minutes by Nigel Stockdale - SDS Team**

### **Action Point Summary**

<b>Item no</b>	<b>Action</b>	<b>Owner</b>
1	Why change the name of the IR Mark?	Strategic Programme