



**Institute of Certified
Bookkeepers
Software Review**

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Avalara VAT Expert – Less taxing, more relaxing!

Introduction

The Avalara VAT Expert tool has simplicity as its strength and brings a big business solution to the smaller companies that we, as bookkeepers, have as our clients. It is a web based solution that allows you to understand the treatment of VAT for practically any cross border transactions that can take place. In their own words it is like having access to your own online VAT expert. For those of us dealing with VAT across both European and other foreign borders we already know how complex this can be. Just one single transaction can necessitate an hour or so of internet research to check that the VAT application is correct, both for our own authority and the authority of the member state involved. HMRC provide regular updates on how to apply VAT correctly but the environment we work in changes continuously so a call to the Helpline may be necessary to resolve a specific question. Even then, can we rely on the answer that we are given? Hours of time can be lost in such research and we still may not be sure if the answer we've come to is entirely correct. VAT is complex, and cross border VAT is simply a minefield.

Avalara has provided an automated solution in Avalara VAT Expert. The company was originally founded over 12 years ago in the USA to deal with cross state trading as every American state has its own sales tax rules based on postcode. The success of this business led Avalara to acquire VAT Applications in Belgium a year and a half ago to take the European model they had created out to a wider community. The technology and knowledge base that both companies have accumulated gave rise to the opportunity of providing a simple tool to automate cross border VAT compliance for organisations in Europe.

Avalara has some very prestigious clients, KPMG, DHL and Coca Cola to name just a few. And this is what is so attractive about the application – it brings a large business approach to the small company. So many of the applications used by corporate clients have value for smaller companies but it is difficult for them to access them. Avalara can bring the Avalara VAT Expert tool to such a market and enable both bookkeeping practices and their clients to benefit from the years of experience and technology development undertaken.

Avalara – web page and access

Avalara is a large corporation itself so it is important to get to the right webpage for Avalara VAT Expert. From <http://www.avalara.co.uk/> it is possible to choose the VAT Expert from the Products tab which will navigate you to the specific page for this product. This single page explains about the software, offers a demo video and the opportunity to contact VAT Expert to learn more about the product. There is no mention of the pricing structure which may be a weakness (please note that since this report was written, there have been

amendments to the pricing structure to make it more suitable for bookkeepers). In a relatively simple format this page will introduce an interested potential user to the product and give them the ability to contact the software provider. The lack of a live chat option is a potential drawback as this would be beneficial in engaging a potential user. However, overall, the web site is inviting and engaging and does introduce the product well.

Once signed up, the user will access Avalara VAT Expert via a web browser as it is a cloud based system. This means that it can be accessed from different platforms and in different locations. This would be particularly useful if the bookkeeper was at a client's site and needed to run a VAT simulation or product a VAT invoice from the system.

The Product

Avalara VAT Expert is both a VAT simulation and invoice generating tool for bookkeeping practices to use . It enables the bookkeeper to correctly assess the VAT implications of any cross border transaction for their client. This can be done using the pre-set up dummy organisations or actual trading companies that can be entered onto the system so that an invoice can be raised.

Cross border EU VAT compliance is complex so a product that makes it simpler gives the user time saving benefits as well as the certainty that the VAT treatment of any trade has been dealt with correctly. Avalara VAT Expert enables the user to create an example invoice for a such a transaction through a step by step process. From the main analysis screen a scenario can be built up which takes into account the following:

- Where the two entities are based.
- The nature of the two entities.
- The date of the transaction.
- What the goods or services are.

With all this information Avalara VAT Expert will produce an example invoice ensuring that the treatment of VAT is correct. The simple example below, using pre-set dummy companies, will show how this works.

First the company information is added. If using the dummy companies this takes the form of the country prefix and then the type of company. However, when you set up your own company you would simply use their name. In the simple example below a GB Company is selling advertising space to a French company.

SALES INVOICE

SUPPLIER		CUSTOMER	
Name	GBCOMPANY LTD	Name	FRCOMPANY SA
Street and number	EMBANKMENT PLACE 100	Street and number	RUE NATIONAL 15
Postcode / City	WC2N 6NN LONDON	Postcode / City	59800 LILLE
Country	United Kingdom	Country	France
VAT number	GB037381458	VAT number	FR01160568416

NUMBER
 self-billing
 cash accounting
 DATE

INVOICE LINES										
No.	Quantity	Unit	Description	Price EUR	VAT %	TB	VAT	Total incl. VAT		
1	1		Description							
Disconto 0.00										
<input type="button" value="Add invoice line"/>										

The supplier is therefore the GB Company, GBCOMPANY LTD, and the customer will be the French company, shown as FRCOMPANY SA. The software follows the European ISO norm for country references which may take a little while to get to know but can be easily looked up. As this is a scenario, actual names do not need to be entered, just the nature of the entity involved. A drop down menu will give you examples from different sectors, from Ltd Company to government body to a mail order company. This therefore gives the ability to be very specific about the exact status of both the supplying organisation and the recipient which of course is key in getting the VAT treatment correct.

SALES INVOICE

SUPPLIER		CUSTOMER	
Name	GBCOMPANY LTD	Name	FRCOMPANY SA
Street and number	EMBANKMENT PLACE 100	Street and number	RUE NATIONAL 15
Postcode / City	WC2N 6NN LONDON	Postcode / City	59800 LILLE
Country	United Kingdom	Country	France
VAT number	GB037381458	VAT number	FR01160568416

NUMBER
 self-billing
 cash accounting
 DATE

INVOICE LINES										
No.	Quantity	Unit	Description	Price EUR	VAT %	TB	VAT	Total incl. VAT		
1	1	- Make a choice -	advertising (-214-) Description magazine advertising Completion 2016-05-16	100.00	0.00	100.00			100.00	
Disconto 0.00										
						100.00 EUR	0.00 EUR	100.00 EUR		
<input type="button" value="Add invoice line"/>										

Next the specifics of what goods or services that are being supplied can be entered. As you start typing a drop down box will auto suggest which is very helpful. Subsequent drop down

boxes will continue to ask relevant questions to ensure that a correct application of VAT rules is used. Once the exact nature of good or service is derived Avalara VAT expert is able to apply the correct VAT rules and provide a template invoice for how the transaction should be billed. An example pdf of this document is included at the end of this report.

A completion date is also required recognising that VAT rules change. This would make it possible to simulate trading done in the past to ensure that the VAT was applied correctly.

The example of advertising is quite a simple one but this product can deal with far more complex transactions. The simple auto suggest and drop down menus enable the user to arrive at the right VAT solution without having to spend hours researching. This is definitely a key benefit.

Below shows the treatment of VAT if a computer is sold by GB Company but this time to a Belgium Company with the goods being delivered and installed in Italy.

The screenshot displays the 'iVAT EXPERT' software interface for creating a 'SALES INVOICE'. It includes fields for 'SUPPLIER' (GBCOMPANY LTD) and 'CUSTOMER' (BECOMPANY NV), with their respective addresses and VAT numbers. The invoice number is 3, dated 2016-05-21, and is marked as self-billing and cash accounting. The 'INVOICE LINES' table shows a single line for a computer with a price of 1000.00 EUR and a VAT rate of 22.00%. The total invoice amount is 1220.00 EUR. The 'INVOICE STATEMENTS' section shows the applicable VAT rules for GB (Legal, Extra) and IT (Legal, Extra).

No.	Quantity	Unit	Description	Price EUR	VAT %	TB	VAT	Total incl. VAT	
1	1	- Make a choice -	computer Description: New Laptop Installation: The goods are installed or assembled by the sup. Installation: 2016-05-21 Departure: United Kingdom Country: Italy	1000.00	22.00	1000.00	220.00	1220.00	
Disconto 0.00							1000.00 EUR	220.00 EUR	1220.00 EUR

Again the drop down questions on the description ascertain the necessary information to ensure the VAT treatment is correct. However, we may not quite understand why a certain VAT rate has been applied. The invoice statements box just underneath where the invoice lines have been built provides links to the actual directives that have been used to determine the VAT rate to be used. This is an incredibly powerful tool as it enables the user to not only get to the correct VAT position but gives them an understanding of what that position is. This is great for CPD (continual professional development) and having the exact knowledge of the VAT legislation in both countries will be useful when explaining to the client the VAT treatment.

The Reporting tab also assists with further understanding the VAT treatment by showing how the particular transaction will be reported in the various countries that are involved. This is shown below for the invoice raised for the sale of the computer. Again, the ability to access this information is a great asset and gives the user the opportunity to learn. It is

important that the VAT is not only treated correctly but the user understands why a certain VAT rate has been applied. The ability to gain that understanding is definitely a key benefit of this product.

The screenshot displays the 'iVAT EXPERT' software interface. At the top, there is a navigation bar with tabs for 'Analysis', 'Invoice', 'Reporting', 'Tools', 'Data', 'Help', and 'Log out'. The main content area is titled 'REPORTING' and is divided into two columns for 'UNITED KINGDOM' and 'ITALY'. Each column contains a yellow box with the following information:

- UNITED KINGDOM:**
 - Taxable Basis:** Box 6 = 770.08, Box 8 = 770.08
 - VAT:** None
 - Other returns:** Intrastat
 - VAT Codes and TransactionIDs:** Invoice line 1: GBSIIIITS, IT=618, GB=4008
- ITALY:**
 - Taxable Basis:** None
 - VAT:** None
 - Other returns:** Intrastat
 - VAT Codes and TransactionIDs:** Invoice line 1: GBSIIIITS, IT=618, GB=4008

Below the reporting boxes, a message states: 'The supplier needs a VAT number in: Italië'. Below this, there is a section titled 'REPORTING PURCHASING SIDE' with a radio button selected for 'Trade goods and services'. This section contains two columns for 'BELGIUM' and 'ITALY', each with a yellow box containing similar reporting information:

- BELGIUM:**
 - Taxable Basis:** Box 81 = 1000.00
 - VAT:** None
 - Other returns:** Intrastat
 - VAT Codes and TransactionIDs:** Invoice line 1: GBPILITSFF, BE=4, IT=126
- ITALY:**
 - Taxable Basis:** None
 - VAT:** None
 - Other returns:** Intrastat
 - VAT Codes and TransactionIDs:** Invoice line 1: GBPILITSFF, BE=4, IT=126

It is possible to add further invoice lines so any number of line items can be included in one invoice. You are also able to choose the units and the drop down list is very comprehensive so more technical sales or movements of goods can easily be entered. Currency can also be changed to other denominations including GBP.

Additional statement information such as payment terms and delivery dates which are relevant to the individual company can also be added. This is especially useful if Avalara VAT Expert is going to be used to raise actual invoices to be sent to customers. However, any invoices raised in this way would need to be manually entered in the bookkeeping system as there is no direct link between this software and bookkeeping packages.

Any invoice raised can be saved and retrieved from Invoice tab at the top of the screen and invoices can be downloaded in pdf, xml and electronic format. As this is a cloud based application such invoices can be viewed on other platforms as long as they support the format used.

It is also possible to raise other documents such as credit notes, pro-forma invoices and invoices for deposits by simply pressing the green arrow key to the right of the words “Sales Invoice” and choosing from the drop down menu.

The help manual embedded in the software is very comprehensive and shows the user how to build a sales invoice and the other various tools available. This can be printed in both English and Dutch. A helpline is available but this is based in Belgium so the hours it is available may not be best suited for UK practices. Email help is offered with a commitment to a 12 hour response.

The Power of the Engine

The reason Avalara VAT Expert can handle such complex transactional analysis is due to the power of its tax engine. Directives and legislation will constantly change as each member state handles the application of its tax rules differently. Avalara updates the tax information continuously to ensure that the tax treatment advised is correct. To do this they work directly with the statutory bodies involved, eg, the HMRC, rather than waiting for other organisations such as international accountants to publish VAT updates. This investment in keeping the database up to date is essential for Avalara VAT Expert to be accurate and for practitioners to be able to rely on the information given.

One other key benefit of this investment is the ability to check VAT numbers using VIES VAT number validation directly from the product. This is very useful when setting up European companies so that actual invoices can be sent out. The VAT number given can be validated and any problems dealt with at this point rather than waiting until reports such as EC Sales List need to be filed. Individual numbers can be checked from the Invoice screen and it is also possible to upload bulk numbers in the Tools tab.

Finally, Avalara VAT Expert gives the ability to check whether it is worth putting a claim through for VAT recovery from a member state. This can be done through the Wizard Deductible VAT tool. Again, drop down menus will prompt the user to enter the necessary details and the correct advice given. Please see the example below:

The screenshot shows the iVAT EXPERT software interface. At the top, there is a navigation bar with tabs for Analysis, Invoice, Reporting, Tools, Data, Help, and Log out. Below this, a 'New analysis' wizard is open, with 'Step By Step' selected. The wizard title is 'TABLE VAT' and it has a 'Close' button. The wizard contains several dropdown menus: the first is set to 'Nederland', the second to '6 - Accommodation', and there are two more empty dropdowns. At the bottom of the wizard, it displays '% Deductible: 100' and 'Deduction Description: 0% VAT deductible for remuneration in kind, fringe benefits for staff.'

Value for Our Money

Currently Avalara VAT Expert is offered on an annual subscription basis. To members of the ICB this will be discounted by 50% which is a generous offer. The full subscription is €4, 000 so with the discount ICB members would look to be paying €2, 000 to subscribe to this online service. That is quite an investment for any practice and although there are significant benefits from having access to this VAT tool the cost may prove inhibiting. A monthly subscription or pay as you go model which reduces the upfront investment could prove worthwhile as it would enable bookkeeping practices to take advantage of this powerful software.

Key Benefits

- Multi-platform cloud based system which facilitates the use of Avalara VAT Expert at any location.
- Time saving benefits from being able to simulate complex cross boarder VAT transactions using the dummy companies built into the product.
- Ability to raise actual invoices by entering both customer and purchaser details clearly showing the VAT treatment applied.
- Powerful and up to date database ensuring that VAT treatment is accurate and correct.
- Opportunity for CPD as explanations available to the VAT rates used and reporting function shows how the transaction needs to be reported on the VAT returns.
- Additional features of VAT number checking and the wizard to cross board VAT reclaims.
- Once an understanding is gained on how to use the product, it is relatively simple to use with all actions on a single screen.

Weaknesses

- **Pricing.** Currently a reasonably sized upfront investment is necessary to purchase access to the product. Undoubtedly this investment is worthwhile to any bookkeeper with clients who trade in Europe but the price could be a barrier. Changing the pricing to include monthly instalments or purchasing a block of simulations would overcome this

barrier and potentially make Avalara VAT Expert more accessible to a smaller bookkeeping practice.

- **User Interface.** Perhaps this looks a bit dated when compared to other online tools. Also it is useful to understand the European ISO Norm Country Codes although a full list is given in the help manual. The dummy companies can also take some time to understand. Some of the language used is not clear; this is definitely due to the fact that the product has been developed in countries with different languages and is something that can easily be rectified. Updating the screens that are used would definitely benefit this product.
- **Help Available.** The main help provided is through the manual that is accessed from within the product. It is comprehensive and well laid out. There is also a helpdesk available via phone and email. However, the use of other mediums such as online chat, video presentations and webinar conferencing would be an improvement. Many software providers now use these products and Avalara VAT Expert would definitely benefit from adopting these tools.

Summary of Review

The tools, processes and systems that large business use will always give significant benefits to the smaller company. However, the barriers in terms of investment, time and development make it impossible for most of the small entities to take advantage of these benefits. The Avalara VAT Expert tool is a great example of big business application that will bring value and benefit to smaller companies by crossing those barriers and being available to all businesses through our bookkeeping practices.

This powerful tool enables a practice to both simulate cross-border transactions and also raise invoices for these. The powerful database that drives the application enables complex transactions to be handled, between different types of organisation and also multi border movements. Links to the VAT notices and directives give the detailed explanation of the VAT treatment and a further breakdown of how the VAT should be reported on the returns in the countries is also available. Basically, Avalara VAT Expert simplifies what is a complex and diverse area of tax and makes it accessible. The time saved by the bookkeeper in terms of researching the internet or calling helplines to resolve a VAT issue can be used in a far better way, from building the practice to relaxing in the garden on a sunny afternoon.

The pricing scheme may need to be remodelled to make the application more available to smaller practices but any bookkeeper would definitely benefit from having this software. Not only would their service to any client involved in European transactions be improved but they would also gain a better understanding of the VAT treatment used, adding further value to the client. Indeed, it is highly likely that cross border VAT is only going to get more complex, not easier, which will make Avalara VAT Expert an essential tool for any growing practice. How you spend the time you save is completely up to you