

# Meeting Mandatory Requirements

**When BAE Systems plc became legally obliged to file VAT online via the HMRC website, it turned to tax technology specialists Tax Automation and their web-based VAT Controller software to help**

**Business Driver** – In April 2010 it became mandatory for all large businesses to file their UK VAT returns online

**Industry Sector** – defence, naval engineering, aerospace and information security

**Why Tax Automation** – Tax Automation could deliver a solution that would significantly improve transparency and risk management in the VAT compliance process

**Business Benefits** – With Tax Automation's VAT Controller, BAE Systems now has the control and governance it needs. VAT Controller provides BAE Systems with effective internal controls and a clear audit trail

## Background

BAE Systems plc is a global defence and security company with around 100,000 employees worldwide. The company delivers a full range of products and services for air, land and naval forces, as well as advanced electronics, security, information technology solutions and support services. BAE is headquartered in London and its shares are publicly quoted on the London Stock Exchange (LSE:BA). BAE is among the world's largest military contractors; in 2010 it was the second largest global defence company with sales of £22.4 billion. It was formed in 1999 by the £7.7 billion merger of two British companies - aircraft, munitions and naval systems manufacturer British Aerospace (BAe) and Marconi Electronic Systems, the defence electronics and naval shipbuilding subsidiary of the General Electric Company plc (GEC).

## Internal controls

As a listed public company, BAE Systems needs to ensure that there is absolute rigour in all aspects of its financial reporting and this includes its VAT compliance process. In April 2010 all large British businesses became legally obliged to file their VAT returns online, but BAE found that the HM Revenue & Customs website did not provide it with appropriate segregation of duties. For example, at BAE Systems the finance team was not allowed to authorise the movement of money without two signatures. Furthermore, with HMRC VAT online filing there was only one entry point to prepare and submit a return, so when BAE had to file online they realised that they needed to put more rigorous internal controls in place.

Rachel Hurst, Indirect Tax Manager at BAE Systems, takes up the story:

*"I needed to know that behind our VAT submission we had gone through a due diligence process and that we had made sure the numbers were correct and that they had been properly reviewed and authorised. Only once I was confident that this had happened could we then allow the return to be sent to HMRC."*

### Addressing the full VAT lifecycle

Rachel and her team set about looking for a product that could help ensure the level of due diligence needed. After thorough research, BAE opted for Tax Automation's VAT Controller software solution. VAT Controller is a web-based application that addresses the full lifecycle of VAT returns, helping organisations like BAE Systems to manage their compliance risk more effectively. By combining online filing, consolidation, document storage, SAO compliance sign-off procedures, a comprehensive audit trail and a host of other features in one robust web-based platform, VAT Controller brings significantly improved transparency and risk management to an organisation's VAT compliance processes.

### Experience when it matters

Tax Automation were also on hand to manage a web interface problem that BAE Systems encountered. It turned out that this was a problem that originated not at BAE but at HMRC. However, BAE did not have the in-house knowledge or skills needed to convince HMRC that the error was with the tax authority and not with BAE. The Tax Automation team had the specialist expertise and breadth of knowledge to address not only the tax and VAT issues, but also the IT and software issues relating to the web interface. They were thus able to handle this problem on BAE's behalf and liaise with HMRC in getting the error resolved.

### The Results

Today Rachel states that she couldn't be without VAT Controller, as it is now a vital part of BAE's overall VAT compliance process.

Rachel Hurst concludes:

*"VAT Controller has given us the control and governance that we needed. It provides us with due diligence and an audit trail. Authorised senior people can sign off on the numbers with confidence – they can log into VAT Controller and all the information is there."*