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Communication, communication, communication

Explaining MTD to clients and staff
has reached a crucial phase



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It's good to talk

New software is going to be vital in making MTD work, for both practitioners and clients. Communication between staff and customers is a key step towards ensuring a painless transition

While Making Tax Digital (MTD) plans for personal tax have been put on hold, MTD for VAT filing is still pushing ahead – coming into force for periods ending 31 March 2019 and beyond.

Some practitioners will see managing the filing and reporting of VAT easier for them and their clients, compared with personal tax – after all, they make quarterly VAT filings already.

But if only it was that simple. There is a major change in that, effectively, some form of software will be required to transmit the information to HM Revenue & Customs' new online portal.

This means important tech decisions for both practitioner and client. These will revolve around understanding current software needs, alongside mapping where current clients are on the technology ladder.

An absolutely crucial aspect of this change is managing communication to both staff and clients. Thought will then go to longer-term planning: how information is shared between client, practitioner and HMRC on an ongoing basis, and what ramifications that has for the practices' processes, billing and strategy.

Before communication – or anything else – can take place, practices are having to take stock of which clients are making VAT filings, how they are doing so, and whether it is handled in-house or by the practice on their behalf.

"MTD is the clients' responsibility," says Richard Sergeant, accountancy marketing specialist and MD of Principle Point. "But you have

a professional obligation and expectation to support them through this process. Your main objectives are to understand where every single client is on MTD, then track and monitor."

A good example of taking this approach is Kreston Reeves. The 50+ partner firm manages some 10,000 tax returns a year, so moves towards quarterly reporting and digital-only filing represent serious consideration – but an opportunity to automate.

But before the promise of efficiency, smooth processes and transparent client information, the hard slog must come first.

There are myriad potential sub-sets that clients may fit in, from those using VAT-registered micro-businesses gathering information on paper and transferring onto a spreadsheet, to those already 'effectively compliant' by using an established cloud-based bookkeeping and filing system, through to larger businesses who – ironically – may have to gather information on a spreadsheet due to the complexity of VAT.

For Kreston Reeves' trainee chartered accountant Chloe Dray, this has meant tackling the project "head-on", gathering information on who is VAT-registered in their client base, and then gauging the best approach.

Refreshingly, they have found little resistance to moving clients onto accounting systems. "We've tackled it head-on as a team," she says. "It was quite a project gauging who was VAT-registered, and what would be their best approach. We've made progress in ensuring everyone's compliant."

Get your message across

For any practitioners using this initial phase to put off speaking to clients directly, ACCA's head of advisory Glenn Collins issues a stark warning: You could damage client relationships if your messaging doesn't occur soon.

He says: "Informing clients is vital at this stage as there's a lot of noise out there, and there are other firms that will take advantage of you if you haven't taken any action.

"You don't want clients to come back part-way through the process and say 'you didn't let me know this would happen, now how can you help me?' Get clients on board and have discussions about fees."

ICAEW Tax Faculty manager Caroline Miskin believes MTD will be "a sideshow" for some practices where clients are already using digital account and tax production technology. "They're now waiting to accept the software upgrades from existing suppliers," she says.

But for "a significant number" of practitioners, their clients will be keeping paper records on basic spreadsheets. And as our other commentators have suggested, they need to "alert clients to change" and understand their situation, and finally support them.

Building bridges

A key area of complexity will be where businesses stick with spreadsheets. Some form of 'bridging software' will be required to manage the process – to port data from one system or spreadsheet, into another. [A recent article by AccountingWeb](#) covered off some of the confusing number of variations that exist on this theme.

Bearing in mind HMRC backtracked on the use of spreadsheets, Miskin



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warns: "I don't think a spreadsheet option is future-proof."

Although there is still a hint of doubt – that politicians still have the capacity to pull the plug on the project – the ICAEW is being clear "that this is happening", as far as their own communications are concerned: "We're running plenty of workshops, webinars and courses, and will push our communication. We also need HMRC to communicate with the 1.2 million businesses affected by this change."

Despite the scintilla of doubt, the ICAEW supports the direction of travel that MTD drives, even without supporting the mandatory nature of the legislation.

The way of the world

MTD shouldn't be the driver to practices going digital, but it's the way the world is going. If you want to provide compliance services as a practice then it will be "impossible" without digitisation.

"The profession is not embracing digital as quickly as it should," Miskin warns. "There's still a long way for the profession to go."

For Kreston Reeves executive chairman Clive Stevens, MTD is a "big opportunity" to help transform practices – although he agrees with the ICAEW's stance for a voluntary, rather than compulsory, shift.

"It will help transform our business from compliance to one where people devote time to other things," he explains.

The production of its 10,000 tax returns sees work "concertinaed" into the last six months of the year. "It's a real pressure and it isn't going away," he says. "It would be great if, in three years' time, it's all automated, digitised, and can be delivered quarterly, allowing our people to go and see clients – perhaps work more closely with them and our financial services team to discuss investment and planning – rather than worry about the physical process of 'how many returns are there to go?'."

MTD isn't the be all and end all of practice transformation. What will staff do? "Well, our internal processes have been automated and some jobs have disappeared," says Stevens. "But now they have more interesting jobs to do."


While there is the potential for the tech to move faster than what people

and processes can keep up with, the nature of changing embedded systems means that "most staff would complain about IT not keeping up with the pace of change", says Stevens. "We can train people to be good advisers – it's impacting on Chloe's training today." MTD's impact is driving "evolution, but it's part of a wider piece".

- [An ACCA Guide to MTD](#), by Bloomsbury Publishing and free to members, is being published in mid-October
- [Click here](#) to go to the ICAEW's MTD portal
- [Click here](#) to see the AccountingWeb article



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Vipul's view

As AdvanceTrack managing director and founder Vipul Sheth ponders on MTD for VAT, he makes several conclusions

Firstly, while the spreadsheet interface is currently a requirement, digitisation will lead to its demise. It is, after all, inherently linked with both the manual entry and transfer of data. "This does not fit into HM Revenue & Customs' view of the world," says Sheth.

"If you think about auditability, everything is about electronic record-keeping – you can't have paper records making their way onto an electronic form.

"And while we are concerned about whether HMRC can handle another big change to its systems alongside change that could come from Brexit, all businesses, practices and software companies will be

looking at further automation in the near future."

"Forward-thinking" firms will already have a plan, and some will be ready. But Sheth is worried that a "large number" will wait until they have traversed the self-assessment filing deadline of 31 January.

While there appears a slim chance that the MTD VAT plans won't go ahead, Sheth believes that HMRC "can't face another credibility shock" on this issue, having pushed back other MTD deadlines in to the long grass.

"However, there are a swathe of firms who are struggling to convince clients that this is happening," he adds.

Sage's heavy lifter to move on

Xero founder says Vamos to his replacement, and Clear Books CEO is replaced by the founder's wife



And another accounting software CEO goes. Stephen Kelly (*pictured above*) has stepped down as Sage's CEO with immediate effect, but will serve with the business until next May.

Sage said that CFO Steve Hare would also serve as interim chief operating officer, until a CEO is appointed.

Chairman Donald Brydon said Kelly had led "the very heavy lifting" as the group transformed.

The group also stated it "remains focused" on "completing its evolution to a SaaS business". The board is seeking a CEO who is "practiced in embedding sustainable processes at scale for the next stage of the Sage journey".

Other recent moves:

- Xero founder Rod Drury announced earlier this year he would shift into a non-executive chairman's role, with former Microsoft Australia CEO Steve Vamos taking over.
- Intuit has recently seen Brad Smith step down after 11 years and replaced by Sasan Goodarzi.
- Phil Sayers left Clear Books after less than a year in the role, having replaced founder Tim Fouracre in October 2017. Sayers was replaced in April by Fouracre's wife Ruth Fouracre.

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