

HOW TO PREPARE YOUR CLIENTS FOR MAKING TAX DIGITAL (MTD)

April 2017



HOW TO PREPARE YOUR CLIENTS FOR MAKING TAX DIGITAL (MTD)



Over the next three or more years the UK's tax system is to undergo a dramatic change. HMRC's Making Tax Digital (MTD) programme will bring digitisation to UK tax by ensuring all businesses maintain digital accounting records. As a result businesses will be required to submit quarterly digital summaries of their

income and expenditure to The Treasury and, in the longer term (after 2020), it is anticipated that they will be required to make quarterly tax payments.

Following on from our recent white paper for accountancy professionals – *How to Prepare Your Practice for Making Tax Digital (MTD)* this short guide is designed to give helpful pointers on how to best support accountancy practice clients in their preparations for MTD. It stems from:

- the work we at BTCSoftware have been doing with HMRC in road-testing its MTD technology, and
- all the latest MTD announcements we monitor.

The idea behind it is to help you to support your clients in their MTD journey.

SIX WAYS TO HELP PREPARE YOUR CLIENTS FOR MTD

1

Start discussing MTD now

It's important to give your clients as much time to prepare for MTD as possible and, if you haven't already, do alert them to their compliance date. This will depend on the type of business they are:

MTD's rollout schedule

- April 2017, starts with a Beta rollout for a selected few individuals to begin with, followed by more as the year to April 2018 develops
- April 2018, for businesses who have profits chargeable to Income Tax and pay Class 4 National Insurance contributions (NICs) and have turnovers in excess of the VAT threshold
- April 2019, for businesses who have profits chargeable to Income Tax and pay Class 4 NICs and their turnovers are below the VAT threshold but above £10,000
- April 2019, for businesses who are registered for and pay VAT
- April 2020, for businesses who pay Corporation Tax (CT)

In discussing MTD with them, be honest that not all the answers are in place but the rollout will happen. Use the discussion, annual reviews or regular meetings you have with clients to help them anticipate and prepare for MTD. The more proactive you can be; the more opportunities (rather than challenges) are likely to emerge to better support and add value.

In fact you may find MTD enables you to offer additional higher value advisory or consultancy work to clients.

2 Check if clients' bookkeeping approaches will ease or hinder their MTD experience

As part of your discussions with clients, explore if their bookkeeping approach will make MTD compliance easier or not.

Be prepared to guide them on software that's better suited to their financial capabilities, their business operations and digital systems. Consider software with features like apps to quickly log expenses in real-time and other facilities to minimise the additional effort required on your client's part.

3 Train and support clients to get into a habit of regular digital accounting.

Use the time now to forge good accounting habits in your clients.

Steer them towards a suitable cycle (daily, weekly or monthly) which isn't too painful for them. To help, you may want to provide white labelled software packages to ensure your clients adopt the bookkeeping, accounting and other financial management good habits to make MTD compliance less of a burden. Good practices take a while to become habits and it's important to start the process sooner rather than later if you think clients are going to struggle to get information in the right format and in the right timeframe for MTD.

4 Consider developing a MTD-support team in your practice for clients

This team could help to set clients up on the necessary systems, processes etc in order to help ease their MTD learning curve and experience.

You may want to produce resources (guides, podcasts, seminars or webinars) but only do this if your clients are likely to interact with and will learn from them. Be prepared to invest in more direct contact to encourage clients to adopt new processes and approaches necessary for MTD.

5 Draw up a schedule for you and the client to follow to prepare for MTD.

As the schedule or plan progresses, be open about the stepping stones evolving in MTD's development and how you are preparing for and helping the client to navigate them.

It is likely that MTD will require additional client contact and support and this may need you to charge additional fees. If you've been open about the additional work involved in those fees, clients may be less resistant to pay them.

6

Encourage clients to have their say on current MTD consultations.

HMRC is still canvassing views from both agents and businesses alike and there's an opportunity to influence what shape and form MTD finally takes.

The current consultation is focusing on what the sanctions for MTD non-compliance will look like. Make sure you and your clients have a chance to voice any concerns and ideas during the consultation period see: - <https://www.btcsoftware.co.uk/hmrc-announces-consultation-making-tax-digital-sanctions/>

Making the most of what time is available

At BTCSoftware we are working very closely with HMRC to road-test the MTD technology as they create it.

The minute they release an API (a necessary function, protocol or procedure to enable software to submit information and interact with businesses' MTD digital accounts) we immediately set to writing, testing and blending it seamlessly into our tax and accounting software. This ensures that our software solutions are MTD compliant as HMRC's new digital tax systems evolve.

There are, however, numerous fundamental APIs to be rolled out by HMRC before software developers such as us can road-test them and incorporate them into our solutions. This doesn't give software developers or their clients – the UK's accounting and tax professionals - much preparation time. For those accountants and tax advisers in practice, many are rightly concerned because their clients will be turning to them for support in how best to navigate the new MTD requirements.

For some of those client businesses MTD will be a major change to their operations and approach, and they will need accounting professionals to guide them very carefully through the process. Accountancy and tax advisers can help ease the size and scale of the MTD learning curve, by alerting clients to MTD now and helping them prepare their business approach whilst there's still time.

If you need help preparing your practice and clients for MTD, contact our friendly UK-based team on tel. 0345 241 5030 or email: sales@btcsoftware.co.uk.

You can also find latest announcements at our [MTD Knowledge Bank](#) or by following us on [Twitter](#), [LinkedIn](#) or on [facebook](#).

About BTCSoftware

BTCSoftware develop feature-rich, cost-effective and MTD compliant software products that make life easier and more rewarding for accounting professionals. Our abiding ethos is that quality, practice grade software should never be expensive.

Suitable for sole practitioners or larger practices, we've designed our software so it's simple to use, whatever the size of your practice. From start-ups to well-established firms, BTCSoftware's solutions give you the ability to complete Self- Assessment, Corporation Tax and Companies House returns quickly and easily at a price you can afford, all encompassed within a practice management solution.



BTCSoftware Limited
Lyndale House
24 High Street
Addlestone
KT15 1TN

Freephone: 0345 241 5030
International: +44 1932 840572

www.BTCSoftware.co.uk