MTD CONNECTED

TaxCalc's SimpleStep® Guide to MTD Readiness

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Foreword

By Andy North, Chief Marketing Officer, TaxCalc

Since the conception of HMRC's Making Tax Digital (MTD) initiative, there's been an abundance of content pumped out, advising accountants on nebulous topics, such as 'segmenting your client base' and 'evaluating your tech stack'.

But of all the glossy guides, mainly being used as lead magnets by a variety of vendors, I had yet to see one that is a really practical 'How To' manual that genuinely gives accountants in practice a set of tools to ensure that both they and their clients will be fully ready once MTD for Income Tax Self Assessment (ITSA) goes live.

With this in mind, I set our Director of Product Compliance, Dean Shepherd, the task of creating such a manual. A one-stop reference guide to becoming MTD-Ready, with everything a practitioner would need to prepare for MTD for ITSA. Crucially, it needed to be objective, without any angle or agenda for selling our products. Dean jumped at the opportunity but said he could not do it justice working in isolation. We needed to form a crack team of experts. We needed more brains – we needed to assemble a Brain Trust.

Today, over 9,500 practices use our software, so we thought what better place to start than with our own customer list? We wanted a broad mix of personalities and expertise. We wanted representatives from practices large and small, those that are still involved in the day-to-day compliance work and those who have practices that now run themselves. We wanted customers who are technical experts when it comes to MTD, as well as those who have long since delegated that responsibility. Most of all, we wanted customers who would be vocal and keep us honest in our quest to produce a meaningful document that would genuinely add value to accountants in practice.

I am pleased to report that our new, specially-assembled Brain Trust, exceeded our expectations. Huge thanks goes to the inspirational TaxCalc customers in our Brain Trust who worked with us to co-create this guide.

Finally, I caveat my earlier point about using guides as an excuse to selling products. You will find some 'TaxCalc Tech Tips' here and there, but these are provided to illustrate how technology can make your MTD digital journey that much easier.

We look forward to supporting you and helping you become successfully MTD-Ready!

Andy North
Chief Marketing Officer, TaxCalc

“A practical manual that gives accountants a set of tools to ensure that they and their clients will be fully ready.”

Our Brain Trust

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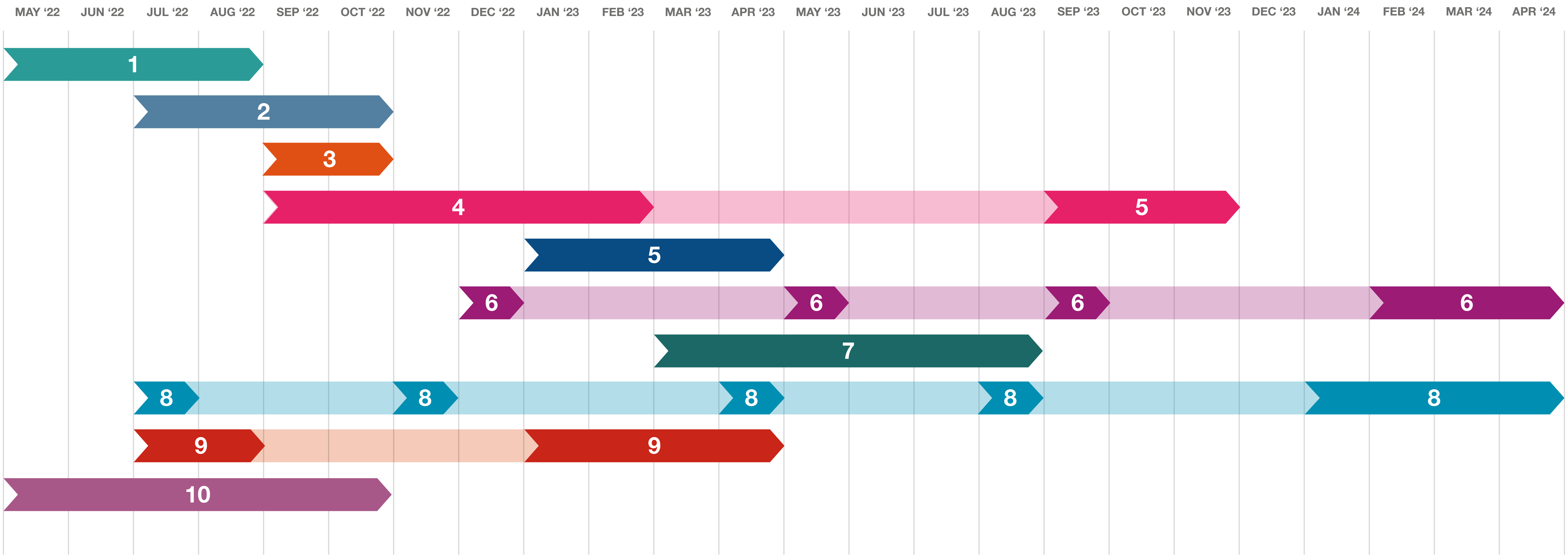
Our Brain Trust

How to use this guide

With the expert insight and assistance of our Brain Trust, we've devised ten key strategies for you to consider and implement in good time before MTD for ITSA takes effect.

Contents

MTD roadmap



Actionable tasks

STRATEGY 1

Define your services

Our Brain Trust agreed that this is the first logical activity that should take place before you can consider pricing, promoting and planning with clients.

STRATEGY 2

Evaluate your client base

It is important to get clarity on the status of all your clients now, so you know the extent of work required to prepare them for April 24.

STRATEGY 3

Continually monitor clients

These systems should be ready to roll once you have successfully evaluated your client base, to keep that data up to date.

STRATEGY 4

Define your technology requirements

You want to be in a good position one year prior to MTD going live, so that your team and your clients are happy using the software. Then, in the run up to April to review new software products hitting the market.

STRATEGY 5

Be clear about pricing

You want to be pretty comfortable with your pricing model BEFORE you start informing your clients about the services you can offer to support them, as they will want to know costs.

STRATEGY 6

Educate your clients

This should be a regular newsfeed, starting a little later, after you've briefed your team – and staggered so you update the team first, then clients. A big push in the lead up to April 24.

STRATEGY 7

Just say NO!

If some services require implementation prior to April 24 then you will need to inform your clients in advance. A start point of 12 months back from April 24 is a good estimate.

STRATEGY 8

Bring your staff up to speed

This should be a regular drip feed, followed by a big push in the lead up to April 24.

STRATEGY 9

Create opportunities

This should probably take place in conjunction with some of the other tasks: 'Define your services' and 'Consider and apply your pricing model' in particular.

STRATEGY 10

Appoint your MTD champion

Not imperative to have right from the outset but best to appoint someone sooner rather than later to act as a project manager.

MAY '22

AUG '22

STRATEGY 1

Define your services

MTD for ITSA will create new record-keeping, reporting and technology obligations upon which any qualifying business or property landlord must comply.

As accountants, bookkeepers and tax advisers, you'll need to determine what services you intend to offer in order to support your existing and prospective clients in meeting these obligations. As with any new service you intend to implement, you'll need to fully understand the business impact.

Consider the scope of work required, commerciality and risk. What's the full extent of the services you will provide? Who'll be responsible for enacting these services? What will you need to do? What will your staff need to do? What will your client need to do?

Some of the new services will be ongoing, some of them will be one-off, some will be considered compliance, others may fall into the category of advisory. It's vital you consider all angles to make an informed decision.

Don't worry about pricing at this stage, this is discussed later in the guide.

To get you started, here's a list of potential services you can provide:

MTD consultation

To help your clients understand their obligations under MTD for ITSA, work with your client to determine:

- Their digital start date.
- The registration process.
- What limitations exist within their current record-keeping system.
- What technology options are available.
- What decisions and actions need to be taken, and by when.
- What will clients be capable of doing themselves.
- What level of support the client will need from you.

Digital implementation

If your client is not currently keeping records digitally within a system capable of meeting HMRC's requirements for functional compatible software, then you can help identify the right system for them, taking into account their business and personal goals as well as their obligations under MTD, and help them implement it. This may include app advisory services, software set up and training, and ongoing support.

Bookkeeping service

Given the need to make quarterly submissions of summary income and expense data to HMRC, you may agree with your client that the best approach will be to bring the bookkeeping in-house rather than have your client or an external bookkeeper continue to undertake this work. Providing your clients with an outsourced finance function or team is an increasingly profitable service line, irrespective of the introduction of MTD for ITSA.

Quarterly submissions

You will need to agree with your client who will be responsible for monitoring deadlines and making the quarterly submissions. This work should be similar in scope to the VAT return services that you currently provide. However, please note: if your client is already VAT registered, MTD for ITSA submissions need to be made in addition to any MTD for VAT submissions. They cannot be made as a single submission, although you could choose to align your clients VAT periods to match their ITSA filing periods.

Annual submissions

There are two elements to be filed at year end:

The End Of Period Statement (EOPS) which is the equivalent of today's supplementary pages for Self-Employment and Land & Property and the Finalisation (or Crystallisation), which is the equivalent of today's tax return.

The process to gather the information you need to prepare the annual accounts, and determine the final tax position, should be very similar to today. It will, however, require appropriate software to make those submissions.

Members of our Brain Trust suggest that you may wish to bundle certain services together in order to give a gold, silver and bronze option. This keeps things simple and allows clients to make an informed choice over the level of support they feel they need.

Gold Service

This could include bookkeeping, quarterly submissions and annual submissions.

Silver Service

This could include quarterly check-and-file plus annual submissions.

Bronze Service

This would include annual submissions only (the client would be responsible for quarterly submissions).

Another factor to consider is the timing of introducing these new services. There's no reason why you shouldn't get your clients ready well ahead of their digital start date. They may find it less daunting to do so without the spectre of filing deadlines to adhere to from the outset. You should certainly consider enrolling all qualifying clients into HMRC's MTD service from April 2023 in preparation for the 6 April 2024 start date. Just as it was for MTD for VAT, we anticipate that the registration process will have to be completed one-by-one for each client – so whatever you do, don't leave it until the last minute.

Here's a checklist to help you define your services:

✓ Brainstorm all the potential services your clients may need.

✓ Identify which of the services you intend to deliver, split between those you can offer:

- immediately
- after MTD for ITSA goes live
- further down the line

✓ Make sure they fall within the services you're authorised to provide by your regulatory body.

✓ Properly scope and define them for inclusion within your standard Letter Of Engagement.

✓ Consider your proposition and whether you want to bundle any of the services.

TaxCalc Tech Tip

Letters Of Engagement can be automatically generated and e-signed from within TaxCalc.

Click here for a video demonstration.

Dean's Practical Point

Don't feel compelled to offer the full range of services just because others do. In the early years of growing my practice, I never offered bookkeeping services to any of my clients, even though many asked. Back then, it was a low margin service and I had a limited amount of resource (i.e. just me!). I only introduced bookkeeping services when I had the staff and technology onboard to help me deliver it profitably.

JUL '22

OCT '22

STRATEGY 2

Evaluate your client base

Most practitioners will have a reasonable understanding of the make-up of their client base. You know broadly how many of your clients are sole-traders, how many are partnerships and how many are limited companies.

But you might not know:

- How many of them will fall within the first group of taxpayers to report under MTD for ITSA.
- How many are digitally ready and what their Digital Start Date will be.
- How much support they will require from you.

If you're going to adequately resource your firm in preparation for what's to come, you'll need these numbers at your fingertips.

Key client information

We have identified six key pieces of information you should hold for each of your clients to make sure you have complete visibility over your practice.

I) Digital Start Date

This is defined in the MTD regulations as being 6 April 2024 for all sole-traders and property landlords who were in business prior to 6 April 2023. For sole-traders and property landlords commencing from 6 April 2023 onwards, their Digital Start Date will be in the third tax year of trade. For example, if a business commences on 1 July 2023, then the Digital Start Date will be 6 April 2025, as 2025/26 would be the third tax year of trade.

The Treasury has stated that Partnerships will have a Digital Start Date of 6 April 2025 and Limited Companies will have a Digital Start Date not before April 2026. There is already some suggestion that we may see a short delay for Partnerships – with some predicting that we may not see the regime extended to Limited Companies this side of 2030.

ii) Accounting year end

The MTD regulations confirmed that the quarterly submission periods will now be the same for all businesses, irrespective of their accounting year end date. However, there will be a transitional period, and ongoing apportionment, for any clients not using a tax year end. Our Brain Trust recommends identifying any such clients now and determining whether it will remain beneficial for those clients to continue using a non-tax year end when MTD for ITSA goes live.

iii) Exemption(s)

Income Exemption

The main exemption in use will be Income Exemption. The MTD regulations define this as being available to any sole-trader or property landlord whose combined business and property turnover does not exceed £10,000 in the relevant tax year. The relevant tax year for most taxpayers commences two years prior to the Digital Start Date. For example, if your Digital Start Date is 6 April 2024, then you would look at turnover for the period from 6 April 2022 to 5 April 2023.

TaxCalc Tech Tip

You can create custom fields within TaxCalc Practice Manager to record and track each one of these components for your clients. This means you always have visibility over how many of your clients are MTD-Ready and how many still have work to do.

Click here for a video demonstration.

iv) Digital Exclusion

The second exemption provided by the MTD regulations is that of Digital Exclusion, whereby an exemption may be permitted by HMRC if you can demonstrate that it is not practical for your client to use software to keep digital records, or submit them digitally, due to age, disability, location, religion or other reason. It is anticipated that where a Digital Exclusion has been allowed in respect of MTD for VAT, then that will similarly apply for the same taxpayer in respect of MTD for ITSA.

v) Digital readiness

The key component of MTD for ITSA, just as it was for MTD for VAT, is the requirement for records to be kept digitally and filed using functional compatible software. If you have clients that are either keeping no formal records whatsoever, which may well be the case for a sizeable proportion of the property landlord sector; or are keeping records but on a good old-fashioned manual ledger, then these clients are clearly not digitally ready and may require further support to get them ready.

Another factor in being 'MTD-Ready' is whether your clients are keeping their records up to date with sufficient regularity to meet the quarterly reporting requirement. Some of your clients may keep very good records today, but if they are not VAT registered then they may only update those records once a year in order to prepare the end of year accounts and tax return. That won't be possible under MTD and, again, those clients should be identified as not yet being digitally ready.

vi) Financial tech-savviness

What is your client's aptitude for financial technology? Our Brain Trust identified three types of clients that they regularly deal with when it comes to financial technology:

- Tech Happy: if not already keeping records digitally, these will be easy to convert.
- Tech Apprehensive: will get there with a bit of persuasion.
- Tech Averse: either will not engage at all or will take a lot of handholding.

Knowing your client's aptitude for, and attitude towards, technology will help you ascertain what level of support you will want to offer them. You may decide that your Tech Averse clients must take your full bookkeeping service if they are to remain a client, as it will take you just as long to hand-hold them as it will to do all the work yourself. You may even decide that you will no longer support Tech Averse clients at all, or at least not onboard any new ones.

vii) Working relationship

There is no doubt that for many clients MTD for ITSA is going to present a big shift in their working relationship with you. Clients that you only hear from once a year are now going to have to interact with you at least every three months. For some clients, that may be a lot more proximity to you than they had ever wanted or anticipated!

This does of course provide an opportunity to have more touchpoints and strengthen that relationship of trust with your clients that they so value. Failing to create or cement that close relationship early may mean that others could influence where your client goes for support with MTD. Identify those clients currently at risk of external influence.

What does success look like?

Goal 1: Identify the right software to support you with segmentation.

Goal 2: Compile known data for each client.

Goal 3: Canvass or assess clients to close data gaps.

Goal 4: Run your MTD readiness report.

Start by: July 2022
Complete by: October 2022

Dean's Practical Point

MTD for ITSA is a good excuse for investing some time in gaining greater awareness of your customer base. If you aren't interacting with them every month, why not? If they're not using digital tools already, why not? If there are benefits for both them and you in taking them on a digital journey, irrespective of MTD for ITSA, then kick off that journey now.

SEP '22

OCT '22

STRATEGY 3

Continually monitor clients

Undertaking a one-off exercise to evaluate your client base is all well and good, but your client base is constantly evolving. You will be both gaining and losing clients over time, hopefully more of the former than the latter, and clients themselves will be evolving in terms of their digital readiness.

Just because a client is apprehensive about technology today, it doesn't follow that they will always be so apprehensive. Sometimes it's just about taking that first step which leads them to being hooked on the advantages of a digital solution.

This constant change can mean that your client information gets out of date very quickly if you don't have a process for ensuring that it's consistently monitored and reviewed. Here are some suggestions for how this might be maintained:

Prospects

You need to make MTD for ITSA part of your conversation with every potential client. Not just to raise awareness of what is to come, but also to demonstrate that you are the right partner to support them through these changes. You can also identify earlier what information you need to determine their readiness for MTD when they do become a client.

Using a Customer Relationship Management (CRM) tool can be an effective way of tracking and identifying prospects that have engaged with your MTD for ITSA content. You can also periodically build in polls or surveys to glean a little more information about your prospects, such as whether they operate as a sole-trader, partnership or company and what bookkeeping system they use. It's possible to build up a clear picture of your prospects long before that first conversation with them takes place.

New clients

MTD for ITSA has to form part of your onboarding routine. Obtaining those six key pieces of information from Strategy 2 should be considered a prerequisite to taking the client on. Different firms have different ways of collating everything they need prior to onboarding a new client so you need to find a way that works for you. If you're using any form of new client checklist to ensure that key tasks are completed, then it would be sensible to ensure that completing an MTD assessment is added to the list.

If you want to avoid information overload for your new client, then perhaps diarise a separate conversation to discuss MTD for ITSA. Make sure you have an agenda for that meeting – and a note of any key information that you have not yet obtained.

Existing clients

Once you've evaluated your existing client base, and put in a process to assess new clients, then your database will be completely up to date and allow you to assess how ready you are as a practice when MTD for ITSA goes live. However, if you do not have a system to update and maintain the accuracy of that data then you will quickly lose visibility and risk making poor resourcing decisions for your practice. You cannot leave it up to you or your team to simply remember to keep that information up to date.

TaxCalc Tech Tip

With TaxCalc Practice Manager, you can automate the creation and assignment of tasks, so you never forget to update any changes. With Practice Manager Plus, you can even make such tasks part of the standard workflow for any job you undertake.

Click here for a video demonstration.

We suggest you look at the six key pieces of information and think about when a change to each of those is likely to take place. You can then build the updating of that information into a routine that links closely to the change. Here are a couple of examples:

What could potentially cause the Digital Start Date to change?

A client qualifying for the income exemption by not having turnover in excess of £10,000 would be a prime example. Perhaps you could make updating the Digital Start Date a part of the accounts file completion checklist or tax return submission routine. If you make it part of an existing process that is already carried out seamlessly and regularly then that is much easier than creating a brand new process for people to remember.

What could change the frequency of your working relationship?

A client signing up for monthly payroll or quarterly VAT return services could be an indicator. Any change in service provision should result in a new Letter of Engagement being issued and a change in billing, depending on your model. One option would be to create a task to update the MTD assessment any time there is a billing change.

Not all the information is likely to change with any great frequency so you could build a general MTD assessment into an existing periodic review. In the build-up to MTD for ITSA going live, you may wish to ensure this happens quarterly, perhaps in a planned quarterly catch-up meeting with your client. Once MTD for ITSA is live then perhaps annual reviews will suffice for those not immediately falling within the regime.

Finally, diarise a regular catch-all Exceptions Report to be run. If everybody is meticulously working their way through every checklist and following your firm's systems and procedures, as they should be, then Exceptions Reports would not be necessary. However, as humans we are always fallible, particularly when faced with time pressure to turnaround work on schedule. It can therefore be useful to run off a list of clients for whom any of the six key pieces of information is missing and set the task of identifying and updating that information. Hopefully there will be relatively few of these exceptions to update.

What does success look like?

Goal 1: Ensure you have first completed Strategy 2 – Evaluate your client base.

Goal 2: Update process for acquiring prospect information.

Goal 3: Update process for onboarding new clients.

Goal 4: Create process for ongoing monitoring of existing clients.

Start by: September 2022
Complete by: October 2022

Dean's Practical Point:

In my practice, we created a standard New Client Memorandum that identified all the services we had agreed we would provide to the client, as well as other key information to kick off the onboarding process. It served as an extremely useful prompt in sign-up meetings to ensure we knew everything we needed to at that stage. I would certainly be ensuring the six key pieces of information were added to our new client memo.

SEP '22

DEC '22

SEP '23

NOV '23

STRATEGY 4

Define your technology requirements

As a technology company it would be remiss of us not to discuss the software you will require to support your clients both in the lead up to MTD for ITSA going live and beyond. Let's first identify the challenges that you will need to resolve, whether you already have a technology solution that can address those challenges and, if not, what your options are.

Challenge 1 – Digital record keeping

HMRC guidance is quite light on what constitutes an acceptable digital record. If you look hard enough, the answer can be found within VAT Notice 700/22: Making Tax Digital for VAT; although at the time of writing we are still awaiting a separate notice specifically for MTD for ITSA. However, we don't anticipate guidance on digital record-keeping to diverge significantly from those within the VAT notice.

Firstly, you need functional compatible software, which is defined as a single, or collection of multiple, software programs or applications that are capable of recording and preserving digital transactions and communicating with HMRC using APIs (Application Programming Interfaces).

The critical point here is that multiple applications can be used to achieve all necessary tasks. Transactions can therefore be recorded within a spreadsheet and then submitted to HMRC using bridging software, if you so wish, just as you can for VAT. You can even export the information from one application, perhaps as a CSV file, and then import it into another, in order to file with HMRC. You do not need to feel pressured into furnishing every client with an all-encompassing piece of software that may not be appropriate for their needs or their budget.

Choosing the right solution for the right client will be key and you may decide that you will only support certain solutions and not others. Some of our Brain Trust members promote only one bookkeeping application with their clients and make that a prerequisite of working together. Others take a more flexible approach. Ultimately, you have to decide which is the best approach for your practice, even if that means turning clients away.

TaxCalc Tech Tip

TaxCalc Practice Manager can be used to manage all workflows and monitor deadlines and TaxCalc Communications Centre can be used to automate requests for information.

Click here for a video demonstration.

Challenge 2 – Digital submissions

There are essentially two types of submission required under MTD for ITSA, those that take place quarterly (or more often should you choose) and those that take place annually.

You already use specific software to calculate and submit MTD for VAT returns and different software to calculate and submit Self Assessment tax returns.

It will be imperative to find out whether your existing software suppliers intend to build the necessary MTD for ITSA functionality you will need, just as they have for VAT or Self Assessment.

One difficulty in knowing what software options will be available is that there are currently so few on the market. Until MTD for ITSA goes live we won't really know the full breadth of choices available nor indeed how much they will cost. But don't worry, time is on your side. If MTD for ITSA goes live on 6 April 2024 as planned, the deadline for filing the first quarterly submissions will fall due on 31 July 2024 and the deadline for filing the first annual submissions will fall due on 31 January 2026.

Our Brain Trust suggests that if you have clients who are completely new to digital record keeping, it would be advisable to get them using a digital system well ahead of the go live date. That way clients aren't faced with learning something new whilst also having the pressure of meeting filing deadlines and facing potential penalties for not getting it right. Far better for them to get used to using the new technology first, and then address the filing deadlines from a place of relative comfort.

Challenge 3 – Deadline management

There is no doubt that the introduction of MTD for ITSA is going to create a significant number of additional deadlines to manage for a sizeable proportion of every firm's client base. Many practices have stuck diligently to their array of spreadsheets for managing deadlines whilst others have adopted practice management software solutions that can track deadlines and assign them to appropriate members of the client team. Whichever solution you use today, will it be robust enough to cope with all the additional deadlines MTD for ITSA will bring?

Much of this will come down to the size of your practice, how many team members you have (or expect to have) and your propensity to risk. If you're going to explore new technology to manage all your client deadlines, then it would be advisable to do so ahead of MTD for ITSA going live. You could even run both systems simultaneously for a period of time to give you confidence that your new solution is operating effectively before fully migrating.

Challenge 4 – Client communications

It's one thing to track deadlines. It's quite another to ensure they are met. A big part of meeting any compliance-based deadline is the ability to get the necessary information from your clients in a timely manner. The deadline for the quarterly submissions under MTD for ITSA is one month from the end of the quarter. This means that time is absolutely of the essence. You want to ensure that you are requesting, and chasing for, information as soon as it is due.

Today, you might consider that to be a manual task that can be undertaken by whoever is responsible for the client, armed with a list of deadlines for that particular month. Such is the increase in the number of deadlines to be met under MTD for ITSA, you may decide that it would be far more efficient, and effective, to automate this type of client communication using software.

If you're going to implement a workflow management tool, do NOT be tempted into creating an elaborate series of steps to job completion just because the software allows you to. Sometimes it can be more effective to have just three simple steps:

1. Work requested.
2. Work in progress.
3. Work completed.

Start simple and build out from there.

Challenge 5 – Client education

A strategy for client education will be covered in a little more depth later in this guide, but it's worth calling out the technology you may need to support you. Perhaps unlike previous changes to the accounting landscape, MTD for ITSA will affect different clients in different ways. There is also a huge amount of information to communicate and disinformation to correct. You may therefore benefit from multiple prongs of attack when it comes to educating your clients – from the traditional client newsletter, to blogs, articles, social media and online video content, as well as offline events and training.

Being able to create and distribute this content quickly and effectively may either mean using your existing tools to a far greater extent than you do today, or acquiring new ones. It would serve you well to plan what your education programme may look like in order to assess the technology that you need to support it.

What does success look like?

Goal 1: Identify whether your existing software providers will support MTD for ITSA.

Goal 2: Assess whether your existing systems can cope with the demands of MTD for ITSA.

Goal 3: Evaluate any new software required to meet the challenges of MTD for ITSA.

Goal 4: Determine your preferred applications for supporting your practice and your clients.

Start by: September 2022

Complete by: November 2023

Dean's Practical Point:

In my practice, I used spreadsheets to track all compliance deadlines and that spreadsheet typically remained open by me at all times. This worked very well when my practice was small as it would typically be only myself responsible for all the deadlines. As my practice grew, and more and more people wanted to access and update the spreadsheet as work flowed through the practice, there was a greater chance of mistakes being made and information not being kept up to date.

If I still had my practice today, I would not be using a spreadsheet to manage workflow and track deadlines when MTD for ITSA goes live.

JAN '23

APR '23

STRATEGY 5

Be clear about pricing

Members of our Brain Trust were hesitant to include pricing as a strategy specifically for MTD for ITSA readiness. Pricing is far more fundamental to the success of your practice than adding a few extra service lines.

However, if you do have plans to address your pricing model in the short-term, then we strongly recommend assessing whether that model will still be fit for purpose when MTD for ITSA goes live.

Some of our Brain Trust are staunch advocates of value pricing, some use a model more akin to cost-plus and, after all these years, the jury is still out on time-based billing. Whatever pricing model you choose, do make sure that it enables you to price profitably. You may find that there are still too many unknowns at this stage to determine the right price for you. As long as you are aware of that then you can adjust as things become clearer.

Our Brain Trust did agree that if you want your clients to be paying you more money for compliance services under MTD, then it's extremely important to frame the benefits that those services will bring in terms of results, outcomes and the problems you can solve.

Examples of which could be:

i) **Service: MTD Consultation**
Outcome: Giving your clients the confidence that they understand how MTD will affect them and that they are not going to fall foul of the law.

ii) **Service: Quarterly submissions**
Outcome: Avoiding late-filing penalties, minimising the risk of HMRC enquiries and predicting future tax liabilities in advance.

iii) **Service: Annual submissions**
Outcome: Certainty over what tax has to be paid and by when, plus security in the knowledge that the right amount of tax has been paid and not a penny more.

As we are so used to the language of accountancy it can sometimes be difficult to stand in the shoes of our clients and phrase things in language they understand. One effective exercise, certainly from a pricing and proposition perspective, is turning services into outcomes as they can be much more compelling. Completing tax returns on time may be what you do (i.e. a service or feature) but the outcome or benefit for the client is peace of mind and the avoidance of a penalty. If you are struggling to turn your services into outcomes, then simply add the phrase 'which means that' until you get to something more compelling.

For example, 'we do your bookkeeping', *which means that* your figures will be accurate – *which in turn means that* you can make better business decisions, *which means that* your business will be more profitable, *which means* that you will have the financial freedom to do the things you love to do.

Rather than talk to customers about your bookkeeping services, talk to them about financial freedom and see the effect that has on the conversation. Apply that methodology to all your services.

Other pricing suggestions highlighted for consideration are:

Frequency of billing

If you have clients that you currently only bill once per annum, then it's worth considering a more frequent billing cycle to match the delivery of your services. Certainly, those clients for whom you are going to be undertaking quarterly submissions should be billed at least quarterly. Although the general consensus was that it would be advantageous to both parties if you billed monthly. This makes your fees more manageable and predictable for your clients, as well as improving your own cashflow position.

Minimum fee level

Given that there are a considerable amount of fixed costs associated with onboarding and servicing your clients, you should never undertake work below a certain level as you will never see a profit. Only you can determine what that minimum fee level should be but do not let your client's poor financial position put your own business at risk. If you can help improve your client's financial position, then you should charge your worth for doing so.

What does success look like?

Goal 1: Assess whether your current pricing model is fit for purpose going forward.

Goal 2: Articulate the value that your MTD services will provide.

Goal 3: Speak to customers and get direct feedback on potential service pricing.

Goal 4: Include your future pricing when communicating with clients about their MTD needs.

Start by: January 2023
Complete by: April 2023

Dean’s Practical Point:

During my 20 years in practice, I heavily discounted many a struggling client’s fees on the promise that once things picked up I would be rewarded for that early support. It never happened. Ever. Clients have short memories. If you’re happy to work for less than your worth in return for that warm and fuzzy feeling inside, then by all means do so. But you have to accept that this will be to your own financial detriment.

DEC '22

MAY '23

SEP '23

DEC '23

APR '24

STRATEGY 6

Educate your clients

Right now, your clients are probably the last people to know that MTD for ITSA is coming – let alone that it may fundamentally change the way they operate their business today.

However, the closer we get to MTD for ITSA going live, the more they will be hearing from a whole variety of sources, some less reputable than others. They will be struggling for clarity of understanding over what applies to them and what doesn't. You should be the voice of reason, amongst all the misinformation, and assert yourself as the trusted authority or subject expert.

In order to do this, you'll need to determine how much information to divulge and when. You'll need to decide whether all clients need to know everything or whether you're going to tailor content to individual circumstances. Who is going to do the educating? What format is the educational content going to take? And, how frequently are you going to distribute the information?

As a specialist software provider to the accountancy profession, TaxCalc made the decision at the inception of MTD to become a trusted authority and has committed a considerable amount of resource to disseminate content to our customers through multiple channels. This includes webinars, articles, blogs, talks, events and, of course, extensive guides co-written with industry experts.

This has been, and continues to be, a significant investment for us over and above our investment in software development to meet HMRC's ever evolving needs around MTD for ITSA. We do this because we want to position ourselves as the best solution on the market for accountants wanting a seamless transition to MTD for ITSA.

In your practice, and the market you serve, how important is it for you to be seen as the market leader in delivering MTD services for your clients? The answer to that question may determine how much time and effort you invest in educating your clients.

TaxCalc Tech Tip

TaxCalc Communications Centre can be used to periodically disseminate information regarding MTD for ITSA. If you combine it with our data mining facility you can ensure only relevant clients receive the information they need.

Click here for a video demonstration.

Even if the makeup of your client base means you're not overly exposed to MTD for ITSA, you are sure to be asked lots of questions once HMRC starts running their public awareness campaigns and managing those questions may become increasingly difficult over time. Not just in terms of the time taken to keep replying individually to everyone who asks, but also in ensuring that every member of your team provides consistent answers to the same, or similar, questions.

Our Brain Trust suggests collating any questions you receive on MTD and recording a series of short explanatory videos covering the main points. That way you can both pre-empt the questions people will have - and cover them off before they find their way to your inbox.

What does success look like?

Goal 1: Identify who in your practice will be the technical expert(s).

Goal 2: Create a central repository for FAQs and key points of interest to be shared.

Goal 3: Diarise client events at a frequency you are comfortable with.

Goal 4: Evaluate the technology at your disposal to help automate the process.

Start by: December 2022
Complete by: Ongoing

Dean's Practical Point

Many accountants don't educate their clients as frequently as they perhaps should do because they don't have the time or energy to prepare and write the content. It can be quite daunting to come up with enough material to fill up an hour's formal presentation or write a detailed article. However, it can be much more effective, and less preparation for you, to let your clients dictate the content by coming armed with questions.

You can always provide them with some pre-reading to look at first, which doesn't even have to be your own content. It could be some HMRC guidance notes or a news article you have seen online. These are bound to generate lots of questions. Some of the best webinars I have attended have been completely led by questions asked by the attendees. If you can capture all those questions and answers, then that gives you some great material to follow up with.

MAR '23

AUG '23

STRATEGY 7

Just say NO!

Be really clear on what you are not prepared to do for your clients.

Most of us get into the profession because we're good at solving problems and like to help people. This can sometimes make it difficult to put our own needs ahead of our clients, particularly long-standing ones with whom we have a very close relationship, even if it is necessary for the sustainability and growth of our own business. You will not be doing your clients any favours if you, and your team, are over-worked and under-paid through not being assertive enough from the outset.

Unless you do a really great job of educating your clients (and even then, there will be those that you can lead to water but not necessarily make them drink), there will always be some clients that cannot appreciate that your working relationship will have to change. The way you service them today, and the fee that you charge, will very likely be different when MTD for ITSA goes live, and you shouldn't be brow-beaten into keeping the status quo.

Dean's Practical Point:

I used a formula to grade my clients A, B, C or D based on a whole variety of factors, such as whether my team enjoyed working with them, whether they implemented our advice, whether they recommended other clients to us and whether they paid us above or below our average monthly fee. 'D' clients were earmarked for disengagement. Disengaging clients is never a comfortable exercise but having such a methodology in place arms you with the myriad of reasons that typically exist to explain to the client why we are no longer the right fit for their business and that there is probably a better option for them out there.

Some of our Brain Trust have put their clients on notice that 2022/23 will be the last tax year for which they will accept records in the format they are currently provided. From April 2023 it will be the digital way or the highway. They understand that they have more beneficial places to expend their energy than strong-arming clients who wish to swim against the tide.

Many people are predicting that there will be a lot of client movement between firms during the onset of MTD for ITSA as some practices become unwilling or unable to service certain types of clients and others find a new niche in serving those looking for a new home. There will undoubtedly be winners and losers on both sides. So our advice would be to take the lead and determine your ideal client of the future before it gets determined for you.

What does success look like?

Goal 1: Identify any MTD services that you are not willing to provide.

Goal 2: Re-evaluate what your ideal client looks like under MTD.

Goal 3: Identify any existing clients for whom supporting with MTD will not be feasible.

Goal 4: Create a migration path for those clients should disengagement become necessary.

Start by: March 2023
Complete by: August 2023

TaxCalc Tech Tip

If you wish to grade your clients then this can be done using custom fields in TaxCalc Practice Manager. Remember to make evaluation of the grading part of your annual review process so that the grading remains up to date.

Click here for a video demonstration.

JUL '22

NOV '22

APR '23

AUG '23

JAN '24

APR '24

STRATEGY 8

Bring your staff up to speed

Your MTD education programme should not be the sole preserve of your clients. It will be equally important to ensure your team is fully up to speed with what is happening with MTD for ITSA and how it will affect your clients.

It's important that anyone client-facing is able to talk confidently about MTD, irrespective of whether they work 'in tax' or not, not least because the implications of MTD extend far beyond tax. Not everyone needs to become an expert of course but they do need to know enough to instil confidence in your clients.

Rather than rely solely on your CPD provider or the accounting press to come up with consistent and relevant content at the right level for each of your team members, why not schedule a regular team Q&A session? This allows your technical expert(s) to announce any recent changes and fuel discussion amongst your team to highlight any knowledge gaps.

You could even invite your customers to these sessions and make it a co-learning event. Having a blend of knowledge and experience often means people are more comfortable raising their hand and asking questions – as not everyone in the room is expected to be an expert.

What does success look like?

Goal 1: Identify who in your practice will be the technical expert(s).

Goal 2: Create a central repository for FAQs and key points of interest to be shared.

Goal 3: Diarise team training events at a frequency you are comfortable with.

Goal 4: Co-ordinate team events with client events to maximise knowledge sharing.

Start by: July 2022

Complete by: Ongoing

Dean's Practical Point:

In my practice, we used to host regular events where I would have a short speaking slot to cover a topical tax issue. We would also book a guest speaker to present other content that would be useful for our customers, such as marketing or advertising. This took the pressure off me in terms of providing engaging content but meant that I equally took a lot of learnings from the day to implement in my own business. I would also try and bring as many staff along to these events as I could, not only to improve their own learning, but so they were then able to build stronger relationships with our clients too.

JUL '22
AUG '22
JAN '23
APR '23

STRATEGY 9

Create opportunities

Accountants can have a surprisingly uncomfortable relationship with money. Asking for money, stating your worth, being proud of your profit. These are all things that can make accountants squirm – as if there is some kind of shame or embarrassment in being financially successful.

Perhaps it conflicts with our desire to help our clients. Are we really trying to help them? Or are we trying to help ourselves? In any business relationship it should, of course, be both. Mutually beneficial.

Similarly, software companies have come under criticism for seemingly exploiting MTD for their own benefit. Contrary to popular belief, I have not heard any software company lobbying the Government to introduce MTD for ITSA for their own gain. Like you, there are hundreds of things we would rather invest our time and energy into for the benefit of our customers rather than MTD for ITSA. But at the end of the day we are here to provide technology solutions to help overcome our customers biggest challenges and MTD for ITSA presents a huge problem that we want to help solve.

The same goes for your clients. It's not your fault that the rules are going to completely change and it's not your client's fault either. They will look to you for guidance and trust that you will charge a fair price for your endeavour.

What does success look like?

Goal 1: Organise a team brainstorm to focus on the positives of mandatory digitalisation.

Goal 2: Create a client facing document outlining the potential benefits for them.

Goal 3: Arrange a series of MTD events to educate staff and clients.

Goal 4: Encourage feedback from your clients on their concerns about their digital journey.

Start by: July 2022

Complete by: April 2023

Dean's Practical Point:

In an ever more digital world, the opportunity to have a conversation with your clients can sometimes appear to diminish. We all want to leverage technology to deliver the work as efficiently as possible but it is in those conversations with our clients that we often provide the greatest value and identify further ways in which we can help. Yes, MTD for ITSA will be a lot more work, but it will also create a lot more touchpoints with clients. Look to maximise the value you get from those touchpoints by strengthening your relationship and identifying further ways in which you can help your clients.

MAY '22

OCT '22

STRATEGY 10

Appoint your MTD champion

Whenever there's a big project to undertake, it's always tempting for the most senior person in the firm to take sole responsibility for leading it out. This, of course, means that the most senior person is then trying to keep an awful lot of important plates spinning and a few of them will inevitably smash.

Our Brain Trust recommends appointing somebody within your firm to be the MTD champion. This person doesn't have to be the most experienced member of the team. Nor do they need to be the most technically up to date on MTD. They just need the responsibility and willingness to drive the project through. They should be responsible for ensuring all key milestones are met within the agreed timescale and are able to hold people to account if any of those are at risk.

The key characteristics of a good champion are being:

- Organised
- Assertive
- Energetic

They must be empowered to do the job and do it confidently.

Where possible, you should also avoid having a single point of failure within your firm, although this can of course be difficult for a sole practitioner. The buck may always stop with the directors or partners – but that doesn't mean the firm should collapse if they are incapacitated in some way. The same applies to your MTD champion, make sure they are not isolated and at least one other person knows enough about the strategy to ensure continuity if your champion becomes unable to continue for whatever reason.

It could be sensibly argued that appointing an MTD champion should be the first task you undertake on your journey to becoming an MTD-Ready practice. However, we thought it only fair for such an appointee to be fully aware of what they were letting themselves in for. Hence this recommendation appearing at the end of the guide rather than the beginning.

If you have made it this far then you may already be a prime candidate for the role!

What does success look like?

Goal 1: Define the responsibilities and benefits to being your MTD champion.

Goal 2: Circulate the idea with your team and seek applications.

Goal 3: Appoint your winning applicant!

Start by: May 2022
Complete by: October 2022

The journey to MTD for ITSA

The journey to MTD for ITSA compliance is likely to be a long and complex one. When it comes to your own MTD journey, there's no doubt that you'll be confronted with many decision points along the way before your practice becomes properly MTD-Ready.

For the large proportion of practice owners that we've spoken to, knowing which decisions need to be made – and, importantly, when – is the biggest barrier to making progress.

This is where we believe our MTD roadmap will be of most benefit.

With it, we hope to give you the confidence to get started and build a structured plan which will mean that, when the time comes you, your staff and your clients will be as ready as you can be to tackle the enormous challenges ahead.

But we can't pretend that having a plan, no matter how comprehensive, is all you need. One of the most important things you can do is to get connected. Find other firms, locally or online and use them as a sounding board for advice and support. Having a strong professional network is probably the most powerful tool at your disposal (and you can be as much of a hero to them as they are to you).

The message we want to leave you with is that… You are not alone. Few firms have built robust plans to turn MTD Readiness into a reality and there is no proven path for anyone to follow.

Without doubt, there's a long way to go. But proceed reassured that everyone at TaxCalc is working tirelessly to make the journey as smooth for you as we can.

TaxCalc Tech Tips

Click here to view these MTD-relevant features in TaxCalc.

Automated letters of engagement

Strategy 1

Custom fields for MTD readiness

Strategy 2

Automated task management

Strategy 3

Automated job management

Strategy 4

Managing client communications

Strategy 6

Custom fields for client reports

Strategy 7

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