

Dext

Making Tax Digital Guide



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Introduction

The UK government's plan to expand [Making Tax Digital](#) (MTD) legislation will mean all VAT registered businesses will need to keep digital records from April 2022. This will apply to roughly 1.1 million VAT registered businesses with taxable turnover below the VAT threshold. Beyond this, MTD will expand further to cover Income Tax for self-employed businesses and landlords above the threshold from April 2024.

With a quarter of businesses in this threshold already voluntarily registered for MTD, that leaves around 750,000 businesses who will need to start thinking about how they tackle the obligation of this new legislation. While many may see this as an extra hassle, MTD will actually bring your firm a range of benefits and opportunities – which can also be passed onto your clients.

It's just a matter of how you position it to team members within your firm.

In this guide we've compiled useful tactics designed to improve your MTD strategy, and now with final regulations for MTD for ITSA moved from April 2023 to April 2024, there's more time to perfect your plan.

At Dext we back accountants and bookkeepers in everything they do, and with MTD geared to shake up the tax space, Dext will be there to support you.



What are the opportunities with MTD?

1. Get closer to your clients

With the MTD for Income Tax legislation moving to quarterly tax returns, you'll be in much more regular contact with your clients. This is a fantastic opportunity to grow your current relationships and help clients in ways that may have not been possible before.

When you only speak to your clients when they drop all their paperwork on you at the same time, you become pressed for time. Capacity may only allow you to complete their end of year tax returns to a high standard but not delve too much into their businesses.

It's likely your clients will need more year-round help than they let on. And now that you're in more regular contact throughout the year, those opportunities will reveal themselves. This could be help with a mortgage on a new business property or the upgrading of their ecommerce tech stack. Either way, you might be able to charge for these additional services.



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How to grab the benefits of MTD

Getting your firm MTD ready now will help your firm to grab all of the benefits – and remove the headaches of a last minute rush to keep up.

To help, we've put together a guide covering the three key steps you need to follow to prepare your firm for [MTD](#).

[Read it here.](#)



2. Help your firm's cash flow

Having a once a year rush to work on your clients' paperwork might only allow you to raise one invoice for the work carried out. With the move to quarterly work, you may be able to invoice on that quarterly basis too.

As you'll be aware, this gives your firm a more regular cash flow from your clients and will allow you to plan your own business operations accordingly. In the same way you help your own clients to forecast their business for growth opportunities and cash flow management, the regular income from completing quarterly tax returns will make this easier to do at your own firm too.



3. Avoid workflow peaks & troughs

You'll be no stranger to the mad rush of tax season when clients bring you all their paperwork – and if you're lucky you won't have to chase any missing documents – which spike your workloads at the same time every year.

MTD's quarterly nature means the peaks and troughs of your workflows will become much more stable. This gives you the opportunity to focus more on additional services which you can bill for and, ultimately, use to help your clients achieve their goals.

Steadier work might also increase the wellbeing of your team members, as they'll be saved from the usual mad rush in January that can result in long hours and immense pressure.



4. Win business from competitors

Getting ahead on these opportunities will help establish your firm as experts in understanding MTD, and what benefits digitalisation will have for your clients. It may even put your firm in a strong position to win clients from less proactive accountants & bookkeepers.

People in the business world talk. Establishing your firm as the knowledge holders of MTD by implementing best practices now will have your clients singing your praises to their peers. And if the firms their peers work with aren't as advanced as you, you might just find a higher demand for your services.

4 ways to show clients the benefits of MTD



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Introduction

[Making Tax Digital](#) (MTD) will shift tax returns needing to be completed quarterly. You'll now have more regular touch points with your clients as well as a range of benefits for their business.

Here we'll cover those benefits and 4 ways you can show them to your clients.

What are the MTD benefits for your clients?



Time saving

MTD presents a great opportunity for you to speak with your clients about how using technology will streamline processes and ultimately save them time.

Many may see quarterly submissions as an additional burden but by using technology, the time spent pulling the numbers together will reduce.

This will also provide you with a steady stream of paperwork which you can work on each quarter, giving your clients more time to work on their business, and much less stress.



Better cash flow forecasting

With those quarterly insights into your clients finances, you'll be able to show them a more accurate picture of their potential future tax liability. This then gives them time to plan and budget their cash flow across the year.

Having this information is vital to give your clients earlier insights for long-term planning. You'd be hard pressed to find a client who wouldn't appreciate the help you can give them with that.



Using software such as Dext Prepare dramatically reduces the likelihood of missing paperwork and stores all documents in a digital format.”



Avoiding unexpected tax bills

As you'll be aware, in its current state, your clients will drop all their paperwork off relating to the previous tax in January and then are advised of the liability in the same month in which any liability due is paid. By leaving the completion of the tax return until January, your clients could be with tax bills which they're not prepared for. This is through no fault of your own but a reason to encourage clients to provide their information earlier.

Having quarterly tax returns under MTD means your clients won't be hit with potentially unexpected tax bills that they have to pay by the due date to prevent any penalties or interest being incurred. Instead, they can plan for this by putting a set amount of money aside per month, ultimately helping with overall cash flow management.



Access to information

Using software such as [Dext Prepare](#) dramatically reduces the likelihood of missing paperwork and stores all documents in a digital format which can be downloaded as required – giving instant access to historic information.

Should your clients face a tax enquiry, all of the paperwork needed will be readily available for a swift solution. On top of that, there are no storage costs for either of you to pay and no additional space is needed.

How to show your clients the benefits of MTD



1. Raise awareness in your firm

To get the buy-in of your clients, you're going to need everyone in your firm to be bought in too. This means [having a plan](#) which they can follow so internally, everyone understands MTD and can handle any objections which clients might have.

Show team members the [advantages that MTD can bring](#) to both their working lives and the overall success of the firm. A big positive will be steadier workflows which help to reduce stress.



Your clients will no doubt have questions about what MTD means for them. Make sure you have the answers ready.”

How to help clients get the

The more you can show your clients how proactive you're being with MTD, the more they'll see the benefits of working with your firm.

To help you get ahead with your planning, we've put together [a guide covering the three key steps you need to follow to prepare your firm for MTD.](#)

Read it here.



2. Give clients a heads up

MTD is coming, whether we like it or not. It will be enshrined into government law and all businesses will need to follow the rules. Don't leave it until the last minute to educate your clients on what this means for them. You definitely don't want a competitor ringing your clients to talk about their MTD solutions before you do.

If you're still in the early stages of planning how your firm will deal with MTD, be honest about that. Getting in touch with your clients now to tell them MTD is on your radar and you're looking for solutions is much better than leaving them completely in the dark.



3. Make them aware of your plans

Of course, if you do have plans set for how your firm will deal with MTD, make all of your clients aware as soon as possible. You want them to know that you'll take the burden of pain away from them and feel that you've got it all in hand.

Show them the new software you plan to use and how this will affect them. Ideally, you'll find a solution which works seamlessly with both of your current setups so adoption is key. Choose [data collection software](#) which works around your clients' workflows, allowing them to snap receipts on the go and submit invoices without having to think about it. That way you'll have everything you need when it comes to filing their quarterly returns.

Raising the awareness of your plans should be done on as many channels as possible. This way you'll give current and prospective clients full visibility of your MTD strategy. Have team members pick up the phone, put it in your client newsletters, email prospects about your plans and put it on your social media. The more you can get the message out, the better.



4. Have the answers ready

Your clients will no doubt have questions about what MTD means for them. Make sure you have the answers ready. This could be from how you plan to charge for the increased number of tax returns or what your firm's plans are.

If, for example, your prices are increasing to offset the more regular tax return work, you might well face objections from clients. This is where you should role play with your team members. Arm them with the answers they need to be able to show clients the benefits of MTD rather than focussing on the negatives.

Remember, the more positives you can show – such as the ones outlined above – the easier it will be to show the value of your firm's services.

3 steps to preparing your firm for MTD



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Introduction

It's coming. [Making Tax Digital](#) (MTD) will be fully fledged legislation for all VAT registered businesses in April 2022 – and from April 2024 MTD for Income Tax will apply to all self-employed businesses and landlords.

Now is the time to work out best practice and set up the processes your firm will need to embrace this change. Giving yourself that time to plan now is vital to prepare your firm, [show clients the benefits](#) and ensure they're not poached by any rival firms who are more proactive.

To help, here are the three key steps to prepare your firm for MTD:



1. Accountability

Any well intentioned project will fall to the wayside if there isn't someone accountable for its success. So it's really important that you identify a team member in your firm to champion the MTD strategy.

This could be a senior member of the firm or a more experienced team member – it might even be you! – each brings their own benefits.

A senior member of the firm would be a strong choice as their seniority may just be the ticket to getting buy-in for the wider business. Alternatively, choosing an experienced team member shows them that you value their knowledge and insights, giving them a sense of empowerment towards the task.

Whichever direction you go in, you need to set your champion off in the right direction. The following are key questions for them to answer when putting a strategy together:

- What systems and processes do we need to change?
- What new technology will we need?
- How will this stretch capacity and resources?
- How many clients are affected?
- How will we price services in line with MTD?
- What time frame will we accomplish this in?
- How will we liaise and educate clients on MTD?

This isn't an exhausting list by any means but answering these questions will help you to form a strategy which you can measure and make visible to your wider firm.

It's also important for this champion to get your firm's buy-in by showing the benefits which MTD can bring to your business. For more on this, we've put together a [guide to showing your firm the opportunities of MTD](#) which you can read [here](#).



It's really important to know exactly how many clients you've got."



2. Measurability

To measure the success of your MTD strategy, you really need to know how many clients you've got – big or small. From now, you've got 6 months left for clients caught by MTD for VAT and 18 months for clients who'll need to meet the MTD for Income Tax requirements.

It's really important to know exactly how many clients you've got. First of all, if you don't know how many you've got, you won't know if you've been successful in speaking to all of them. Secondly, there could be serious implications for those you miss, souring your relationship and leading them to work with another firm.

Identifying the number of clients you need to contact and potentially work more closely with will also give you insight into your firm's capacity for MTD. Quarterly tax returns will reduce the end of year panic, but it will mean people will be working on them at a more regular cadence.

Clients might then expect more from your firm – which isn't necessarily an issue. Greater clarity over their finances will help them plan better for the future and avoid any unexpected surprises.



3. Visibility

When you've identified the amount of clients you've got to speak to, you can start having fun with your approach.

This is by no means the only way, but think about gamifying the process of contacting your clients. Set monthly targets for the number of clients each team needs to reach and reward those who hit them. You'll soon see an uptake in results once an element of friendly competition is brought into play.

Think beyond the visibility of contacting clients too. Encourage team members to ask questions in an open forum about what the changes mean for your firm. It might be possible that they ask questions which clients have brought up to them directly and the firm needs to address. Being open with all sides here is an important way to make the transition to MTD as smooth as possible.

It's also a good idea to get into the habit of [collecting records digitally](#) with your clients now. If you have a small number of clients who are already doing this, ask them for testimonials which you can share with clients who are reluctant to do so. The key metric here is to make all of the good work you're doing on behalf of your clients as visible as possible.

