



...Strength in Numbers

# The SPA Newsletter December 2018

## Welcome to the December 2018 SPA newsletter **The Digital Edition**

(See page 2)

### SPA News



We send you all our best wishes for Christmas and for a happy and prosperous New Year.

#### **AGM 2019 - save the date**

Next year's AGM will take place at Knebworth House, near Stevenage, Hertfordshire on 12 June 2019.

Another beautiful setting, with excellent facilities and a reasonably priced Novotel Hotel on site.

We look forward to welcoming you.



#### **Changes to standard wording for PI policies**

Following issues raised by SPA member David Gordon and followed up with ICAEW, new policies and renewals from October 2018 will cover the risks associated with recommending or supplying software as part of providing accountancy services to clients. The changes also include automatic cover in respect of some US related work.

#### **Insurance for Cyber**

SPA's partner Arlington is now offering insurance for risks associated with Cyber Security - please contact Arlington for more details.

#### **News from ICAEW**

##### **Bloomsbury**

ICAEW have announced that members and those employed in practice will be able to access Bloomsbury's online publications on tax and accounting matters. Full details on the ICAEW website <https://www.icaew.com/icaew-policies/coreats-terms-and-conditions>

##### **Enterprise Nation**

ICAEW has entered into an agreement with Enterprise Nation, which is intended to promote ICAEW member firms to start-ups and small businesses. We're all in favour of ICAEW promoting



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its members' services and would be interested to hear your views on how effective this initiative is.

<https://www.enterprisenation.com/>

## Adventures in a digital world

This time it really looks like it will happen - April 2019 will be the start of MTD although only for VAT and only for those businesses with turnover over the VAT threshold. Businesses voluntarily registered for VAT can take part if they choose to.

For further details please read VAT Notice 700/722: Making Tax Digital for VAT which is clear and includes examples and full details on who is in the scheme and available exemptions.

<https://www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat/vat-notice-70022-making-tax-digital-for-vat>



## Issues for practitioners

From past experience we should know:

- Any changes to HMRC procedures are likely to cause disruption.
- Any changes involving increased use of IT rarely go smoothly.
- Changes which mean that practitioners are likely to have to change the way they work are rarely popular and often involve practitioners in additional costs.

However:

- The self assessment experience - in spite of hiccups along the way - has probably resulted in a simpler return filing process.
- RTI and VAT by direct debit have also probably simplified things for the majority.

So MTD for VAT is going to happen. HMRC has drawn back from their original plan for all small businesses taking pictures of invoices which they thought would solve all the problems and come to the conclusion that, to start with, something rather less radical was appropriate:

- Businesses already registered for VAT are likely to have some systems in place, so that changes are probably going to be less disruptive.
- For businesses already filing VAT online direct from software the changes should be minimal
- It's probably not a bad way to test the system and get taxpayers used to the changes.

(It's also not too far away from what the profession suggested in the first place)



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## What SPA thinks

At SPA, we think that the move towards digital record keeping and the radical reduction in human interventions in the transfer of taxpayers' data to HMRC is unstoppable.

MTD and embracing digital solutions offer a number of opportunities to grow your practice:

- By working with clients on a quarterly basis
- By using MTD compliance as a mechanism for selling business advisory and mentoring services
- Now would seem to be a good time to take a view on whether your clients are able to take on a greater share of their bookkeeping, or whether you are going to have to do it for them.

## The way forward

With very few exceptions online filing of VAT returns has been with us for some time now and for those who already file direct from accounting software, your own procedures won't need to change very much, although your software may have to.

For those who have been preparing accounts manually for clients and then submitting VAT returns online via the HMRC website, things are going to have to change because, unless HMRC get cold feet at the last moment, this route will no longer be open to you.

For those who use spreadsheets to prepare VAT information which is then input by hand, online, you will also have to make some changes, but the scare stories about you having to junk your spreadsheets and start from scratch are untrue.

What is changing is all down to the use of "the API platform". API stands for "Application Programming Interface" and all it means is that the interface between HMRC's systems and the taxpayer (or their agent's) systems is changing. If you don't have software which connects to the API platform, you can't connect to HMRC.

So how to get the API compatible software you need?

HMRC has provided a list of software providers on their website at <https://www.gov.uk/guidance/software-for-sending-income-tax-updates> and ICAEW have reproduced it at <https://www.icaew.com/technical/tax/making-tax-digital/mtd-guidance/software>

The main software players are all there -, Freeagent, Iris, Quickbooks, Sage, Wolters Kluwer, Xero - to name but a few and there are a good number of others.





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## Decision time

If you have been carefully crafting your clients' records using pen and paper you are going to have to change your approach, if you want to submit VAT returns for them.

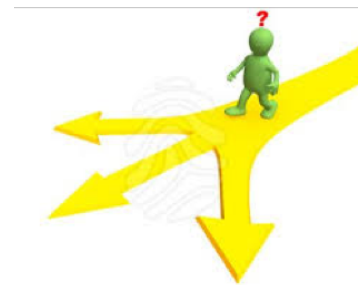
The question is whether you move to a full blown computerised accounting system or do you start using spreadsheets?

If you use spreadsheets you can't export data direct to HMRC. You will need "bridging software" to give you access to the API platform.

If you move to a full blown accounting package you will have the choice between a desktop or a cloud package. Either way you need to make sure the provider confirms the software is MTD compliant or else you will still need some bridging software.

You can join this migration at any point, from manual records, from a spreadsheet solution or from a non MTD compliant accounting package.

However, not everything has been sorted out yet - partial exemption seems to be a particularly difficult nut to crack.



## Runners and riders

This is where it gets tricky, because of the number of providers out there, the variety of types of practice and the even wider variety of clients. Also much of the choice comes down to personal preference. So these observations are as we see things at the moment, and SPA cannot take responsibility for your final choice.

Xero and QuickBooks Online (QBO) seem to be leading the field at the moment and, judging by the comments on AccountingWeb, both have their supporters and vehement detractors. They are not the only players - Sage, for example, is also a contender, but these two seem to have the cloud based subscription package, reasonably well thought through. There's a short case study on moving to QBO later.

We believe the advantages of using a cloud based solution are:

- The flexibility for the client to do as much or as little of the data entry as you agree between you
- Your ability to keep an eye on the client's affairs throughout the year, including the possibility of correcting misspostings as they occur, rather than having to wait and sort things out at the year-end as the deadline looms.
- The possibility of operating accounts on a template basis, with minimal differences between clients.
- The ability of clients to upload data, create invoices etc. from their phone or other mobile device.



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However, this is all very fine, but the big plus point is that MTD for VAT will be taken care of for you (although you will still have to learn how to use the software).

## Practical experience of moving to the cloud

After a number of years using Quickbooks desktop software, we took the decision to go online. We chose Quickbooks Online (QBO) partly because we thought the transfer from one QB product to another might be smoother, partly because, at the time and for our needs, it was cheaper than Xero.

This is how it worked out:

- Migration of data was very quick and easy, no trouble at all.
- The look, feel and functionality of the software was quite different from the desktop version. So there was a bit of re-learning to do, although, after a month or so those issues were sorted.
- VAT and RTI filing have been very straightforward - no complaints at all.
- It will import data from the bank account. The publicity surrounding modern accounting software leads you to believe that with a click of a mouse, the software will just do everything for you. Not surprisingly it isn't quite that simple. There are the security things you have to do to access your bank account and things on a bank statement don't necessarily appear in a format that your software can easily recognise. The process we have adopted is to enter the transactions from the bank statement into the software and then to use the system as a check. We are starting to find, however, that the system is increasingly useful and speeds up the bank reconciliation process.
- The only real bugbear was with the formatting of invoices. In the old system they were exactly as we wanted them to be. The new system is more restrictive and it took some time with QB support to get things more or less as we wanted. It could and should have been more intuitive.

Lessons learned:

- Don't expect it to do everything for you - it won't, but the learning process is not too hard
- The fiddly bits of customisation are what take the time
- Whereas with a single business, you may be happy to learn as you go along, to set up multiple clients, a good deal of planning and staff training is going to be necessary.
- If you are expecting staff to do most of the detailed work for you, you really need in depth knowledge of the system yourself - a number of colleagues have found that the most difficult part of transforming their practice in this way is convincing their staff and to do this they have had to lead by example.
- The changes to our processes brought about by the system's access to bank information demonstrate what is happening as we go digital. The old monthly "bank rec" is replaced by



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a continuous process. This, we have to accept, is the thinking behind MTD, and it gives firms the opportunity to work more closely with their clients, virtually in real time.

## Two possible strategies

When moving client accounting to the cloud, there seem to be 2 schools of thought:

- Chose your favoured platform - possibly, but not necessarily, Xero or QBO - train yourself and your staff and insist that all clients use it
- Invest in staff training (or train yourself) across a number of platforms so you can leave the choice to the client

## Apps and Add-ons

Whilst the choice of platform may be the crucial step, there is now a bewildering array of add-on apps from practice management to accepting payments and controlling staff expenses which may help you and your clients control your and their business.

We would like to return to this topic in future. In the meantime ICAEW's IT faculty has a handy guide - Tech Essentials: The world of Add-ons

<https://www.icaew.com/-/media/corporate/files/technical/information-technology/technology/the-essential-guide-to-the-world-of-add-ons.ashx>

Or if you get a chance to hear Matt Flannagan of Bluehub speak at a CPD session near you, we would recommend it.

<https://www.bluehub.co.uk/>

## Final word

It would seem that MTD for VAT really is going to happen in April 2019 and it will almost certainly have an impact on the way you work. We all need to plan for it so we're ready.

## Please let us know what you think

We welcome any comments you have on the above so that we can make it as useful as possible.

**Are you paying too much for your business insurance?**

Business insurance designed for SPA members and tailored specifically to the needs of your business.

3 levels of cover available at competitive rates:

- Office package**  
Typical cost: £300 per year
- Business from home**  
Typical cost: £150 per year
- Professionals**  
Typical cost: £100 per year

Call our friendly, professional, team for a no obligation quotation:  
**Joe Penny on 0208 290 7761 or Tom Cowap on 0208 290 7767**

**ANTHONY JONES INSURANCE BROKERS**

**Arlington**

Insurance is provided through Anthony Jones Insurance Broker, an allied business to Arlington Insurance Services. Arlington has been providing Professional Indemnity Insurance to SPA members for a number of years.

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## Tips from file reviewer and SPA member Edward Epstein of HAS Ltd.

### DBS Checks

As mentioned in SPA's last newsletter the issue of Disclosure and Barring Service (DBS) checks has emerged from the Money Laundering Regulations 2017.

ICAEW have produced FAQs which are on the ICAEW website at:

<https://www.icaew.com/technical/legal-and-regulatory/money-laundering/criminal-record-checks/criminal-record-checks-faqs>

Whilst there has been a certain amount of discussion about the interpretation of the relevant regulation, the practical impact is that the QAD inspectors expect to see DBS certificates on all "BOOMS" of the practice.

BOOMs are Beneficial Owners, Officers and Managers of the practice

- Beneficial Owners - those who hold 25% or more of the partnership's or company's share capital (Including sole practitioners)
- Officers - company directors and secretary of corporate practices, partners of partnerships and members of LLPs and members of the firm's management board or equivalent
- Managers are senior staff with responsibility for anti-money laundering issues

Given the tight definition of managers, for smaller practices, BOOMs may well be restricted to partners, directors of corporate practices or sole practitioners.

The guidance on the website states DBS certificates need to be obtained NOW, before going on to say that to be valid they need to be dated no more than 3 months prior to "our request" and that they don't need to be obtained on an annual basis - so there is a degree of ambivalence here.

SPA members have spoken to the director of QAD via ICAEW's practice committee and have said that this seems to be a bit of a mess, but if you know you have a QAD visit scheduled, you will need to obtain DBS certificates for all your "BOOM"s.

If you are regulated by a body other than ICAEW, the position may be a bit more relaxed. We understand that ACCA, for example, have not followed ICAEW's approach, so it is best to check what is needed when you are notified that a visit is coming up.

You may apply online on the Government site, for a basic DBS check, the cost is £25 .

You must have available for the application:

- your national insurance number,
- your passport,
- your driving license,



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- your debit or credit card.

You should then receive your DBS certificate within 14 days.

### **Auditing Investment Properties**

When a valuation on investment properties is done by a director of a company, you should document the director's property experience and test the accuracy of their prior year estimates on fair value.

In addition, best practice is to do a review on the yields of the investment property ie the rent to the fair value on the investment property and to take into account in the fair value calculation the number of years remaining in the tenancy rental agreement.

To check for the ownership on the Investment Properties you should, after your client's year end, do a Land Registry search each year.

If the Registered Owner is not in your clients name, you should obtain a signed Trust Deed to confirm who is the legal owner and who is the beneficial owner before signing the audit report.



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