

FIVE WAYS TO MAKE ACCOUNTS PRODUCTION AND TAX EASIER





FOREWORD

Historically, accounts production and tax filings have been manually led and time intensive.

Accountants had to re-enter and move data across from disparate desktop-based bookkeeping software and spreadsheets plus, in many cases, from accounts production into tax filing software. Rekeying data is inefficient, open to error, and can be avoided.

Throw into the mix deadline pressures caused by data requests to unresponsive clients and it isn't hard to see why statutory filings, a core output of firms, were riddled with inefficiencies, causing accountants to put in marathon-like hours in the run up to deadlines such as January 31.

To address this, we've been building out our Xero Tax product, which unifies bookkeeping, accounts production, and tax into an integrated end-to-end solution. Xero Tax introduces significant time and money saving benefits, empowering firms to master accounts and tax work in a fraction of the time they would normally spend, so they can better serve the needs of their clients.

Alongside the Making Tax Digital roadmap, we're making it easier for firms to meet clients' accounts and tax obligations, allowing them to use freed up resources to help their clients build back their businesses as we emerge from the pandemic.

Glen Foster, Director, Accounting Partners, Xero



BEAT THE DEADLINE: HOW TO RUN AN AUTOMATED AND EFFICIENT ACCOUNTS PRODUCTION AND TAX FILING DEPARTMENT

Accounting professionals often suffer from workplace-related stress, with data from the Chartered Accountants Benevolent Association (CABA) revealing that [30 per cent of accountants](#) have recently felt isolated, with more than half of those surveyed having felt emotionally challenged.

This isn't surprising, given that accounting can often be a demanding profession due to a combination of needing to deal with frequent deadlines, chasing clients for outstanding data, and the increasing amount of regulatory changes such as the countdown to MTD for ITSA. Another cause for concern is supporting clients as they build back their businesses post Covid, with Xero's UK 2021 Industry Performance report showing that [54 per cent of those surveyed](#) listed this as their key challenge.

These workflows are made even more challenging by having to move around and manipulate data across different systems. This is inefficient, creates the risk of human error, and takes up valuable time.

However, it doesn't have to be this way. Advances in cloud accounting technology make servicing clients easier and more efficient through seamless accounts production and tax workflows.

Platforms such as Xero have matured beyond cloud bookkeeping tools to provide accounts and tax production solutions, so firms can remove the friction of filings and complete an end-to-end workflow on a single platform.

This has many benefits, such as removing the need to duplicate data entry and maximising automation capabilities. Tasks can be completed faster, making accounts and tax filings less of a bottleneck during busy periods. Previously, it was a constant struggle for firms to file ahead of time due to the reliance on clients to send them outstanding data. However, cloud platforms can now gather most of this data in advance through automation. If additional documentation is needed, integrated platforms like Xero reduce the time and effort required to complete filings.

The cloud-based nature of a single platform makes collaboration easier, allowing managers to organise, monitor, and review the output of more junior team members. For the first time, these earlier stage employees can build experience in accounts production and tax at the beginning of their careers by following predefined step-by-step workflows and automating elements such as pulling in bookkeeping data into the accounts production, which then feeds the tax return. This results in happier and more productive employees, who can spend their time on more added-value tasks and enhancing their relationships with clients.

With the pace of digital adoption increasing, in part influenced by the Government's MTD roadmap, firms should be proactive and seek out cloud solutions to manage all of their compliance work in one place. The success of the MTD initiative has already been proven, with 11 million VAT returns already successfully submitted via MTD (Source: HMRC, May 2021). Its velocity is set to markedly increase with the introduction of MTD for ITSA from April 2024.

XERO TAX - PRODUCT VISION

Xero Tax streamlines compliance; it's built to make preparing and filing accurate accounts and tax faster. A huge benefit is, it's available at no extra cost to accountants and bookkeepers on the Xero partner programme.

- **Prepare and file accounts directly to Companies House and tax returns to HMRC**

Firms can produce company accounts, sole trader accounts, corporation tax returns and personal tax returns, and make all necessary filings directly from Xero Tax to Companies House and HMRC.

- **Save time with shared data across the Xero platform**

Xero Tax allows data to flow seamlessly between your client's bookkeeping, accounts production, and tax return workflows.

This reduces manual entry and admin across workflows, meaning accountants are able to spend more time serving their clients.

- **Produce accurate accounts and tax returns with a system you can trust**

The connectedness of Xero Tax helps keep manual entry and associated "fat-fingered" errors to a minimum.

Additionally, firms can review at the transactional level to check for anomalies and data which needs correcting. Changes can be made within the accounting and tax solution, with adjustments then also being reflected in the bookkeeping layer.

This saves accountants from having to go back and forth making changes across different systems.

Xero Tax comes at no extra cost and gives firms ongoing support to set their practices up for success

Xero Tax is available to all accountants and bookkeepers on the Xero partner programme in the UK, at no extra cost.

Partners are also given access to ongoing support, with a specialist partner migration team helping every step of the way to get up and running.

All the benefits of cloud software, with multiple layers of security

The Xero platform runs fully in the cloud, helping practices work smarter, faster, and more securely.

This has become particularly important over the last 18 months since the pandemic forced many to work remotely.

Practices can rest assured that their own company, and client data is kept secure. Xero is independently assessed annually against ISO/IEC 27001:2013, international security standard, and the AICPA Trust Services Criteria, criteria for managing customer data, leading to ISO/IEC 27001 certification and our SOC2 type 2 report respectively. These assessments give confidence that Xero meets the obligations of both standards. Xero also runs daily online backups of data, which is encrypted and stored in several locations online so that it's safe, secure, and available when it's needed.

TIMELINE OF XERO TAX RELEASES

TIMELINE:

2018: we launched our new MTD VAT filing solution.

2020: Xero Tax UK launches for corporate tax and accounts production for micro-entities and small companies

August 2021: Personal tax and sole trader accounts launched

FUTURE

* Xero Tax will be ready to support MTD for Income Tax Self Assessment (MTD for ITSA)

* Partnership tax capability

* New accounts production: For partnerships and landlords

Cloud software automates many routine tasks such as bookkeeping, bank reconciliations, maintenance of fixed asset registers, and sector-specific workflows such as CIS. Bookkeeping is a manually heavy and repetitive exercise for staff to undertake, but cloud software can remove the strain by using Optical Character Recognition (OCR) technology to extract invoice data, including the account category and VAT rate, with accountants just having to confirm the accuracy of transactions prior to them being posted.

Bank reconciliations can be completed painlessly, using AI-powered technology to auto-match transactions to invoices. Features such as Xero's cash coding enable accountants to reconcile hundreds of bank transactions with a click of a button by setting up bank rules. This may, for example, include all "Uber" transactions being taken to the travel category in the chart of accounts.

Ordinarily, maintaining fixed asset registers is time-consuming and fiddly due to needing to calculate the monthly depreciation of items, post them as journals, and update the main fixed asset schedule to reflect the carried forward value. However, Xero fully automates this workflow, with the depreciation policy set when assets are first logged. The software then automatically posts monthly recurring journals with the appropriate depreciation value and updates the carried forward values in the register. Additional automation benefits include the fixed asset register seamlessly integrating with Xero Tax, further reducing data entry.

For accounts to be as close to real-time as possible, invoices and receipts must be submitted digitally and reconciled regularly. However, even if clients submit late in the day, the amount of effort to bring books up to date will be significantly less than entering transactions manually.

Automation from the cloud can be further enhanced by incorporating third-party add ons to accommodate features that are not present in core software. Examples include inventory management and official integrations with third-party payment providers, with the latter allowing clients to invoice on the go using Xero and take payment immediately.

Five ways to make accounts production and tax easier

1 Move to cloud-based software

Moving to cloud-based software is an essential step firms can take to revamp their accounts production and tax workflows. This is a massive opportunity for firms, with recent data from Xero showing that the fastest growing practices are most likely to have 100 per cent of their clients using online accounting software (Source: Xero UK 2021 Accounting & Bookkeeping Industry Performance Report).

Vendors like Xero make this change relatively simple by offering the services of their migration team, who move data across and do the heavy lifting.

Cloud migration is a cornerstone action that needs to be taken for firms to gain full control of their accounts and tax filings. For self-assessment, software will soon become a necessity, rather than a nice to have, due to MTD for ITSA being mandated from April 2024. Transitioning unincorporated sole traders and landlords (with a total business or property income above £10,000 per year) to the cloud now will allow accountants to get to grips with software and overcome the admin burden of moving across all clients to MTD compliant software at the same time.

Cloud accounting software has many benefits, including unparalleled opportunities to automate, generating close to real-time data and a universal live ledger. It also creates opportunities for accountants and clients to collaborate, and for staff to work more flexibly - any time, anywhere.

2 Use integrated solutions

Previously, on the basis of using different solutions for bookkeeping, accounts production, and tax, it was common for the general ledger to have to be recoded twice, once for accounts production and once for tax filings.

However, using an integrated, all-in-one solution for completing end-to-end bookkeeping, accounts production, and tax filings allows jobs to be completed more efficiently through data flowing seamlessly across workstreams.

This avoids duplication of work and saves time by not having to recode transactions. Xero's end-to-end solution maintains naming consistency across bookkeeping, accounts production, and tax, so data only ever has to be entered once and does not require general remapping. For company accounts and tax, Xero Tax automatically applies XBRL tags to the financial data, which can be easily amended if necessary.

The connected nature of the Xero bookkeeping, accounts, and tax solutions also further optimises use of the fixed asset register, with Xero Tax calculating the relevant capital allowances values for company accounts and tax. This reduces the likelihood of errors and saves time, with the added functionality of being able to see detailed asset purchases within the tax workflow.

It's common for adjustments to be made at the end of periods for tax filings, with accountants and bookkeepers having to correct account codes and VAT rates alongside needing to post a final journal entry to reflect the calculated tax. This can often cause issues, particularly for time-sensitive filings, and these final adjustments are often overlooked and not replicated in core bookkeeping software.

This can create issues and lost time when accounts are filed the subsequent year due to brought forward figures in bookkeeping software not matching. When using Xero Tax for company accounts and tax, the source data flows between the books, accounts and to the tax return, without any manual intervention. Additionally, the final tax journal, calculated by Xero Tax, can be posted back automatically to the bookkeeping solution with the click of a button.

3 Share the workload

Lack of opportunities for staff members to collaborate increases bottlenecks around tax due dates, as firms have to rely on one or a small handful of accountants who have access to software. These assignments are further complicated by desktop software not having the ability to drill down into transactional data during accounts production. Instead, accountants using desktop accounts production software have to manually export detailed nominal ledgers from their desktop bookkeeping product and review it in Excel.

From a general perspective, it's difficult to collaborate on desktop accounting software due to staff needing to use specific, office-based computers. It's on these specific computers often because desktop software requires expensive licences to be purchased upfront on a per user basis.

Desktop software also relies on servers to be installed and maintained, these can be expensive and bulky, and hold the risk of losing data or being destroyed due to leaks, theft, or any accident. All risk sits with the practice to take care of the precious servers which hold often sensitive client data. Cloud software mitigates this through state of the art dedicated data storage facilities which follow international security standards and safety processes.

Sharing the workload is much easier with Xero due to the software's cloud-based nature, making collaboration easy and its licences allowing for unlimited team members to have access due to operating on a per client rather than a per user basis.

Xero Tax has many features that further support collaboration for accounts and tax. This includes changes being highlighted with yellow dots, making it easier for senior colleagues to review the work of juniors, and the ability for staff to make notes to flag for the attention of other team members.

Traditionally, it's been common for firms to spend considerable time training and learning how to use new tax and accounts production software - meaning only a select few in the practice have the right knowledge to do the work. However, Xero Tax is changing this due to its intuitive design and step-by-step workflows, making it simple to pick up and use. Unlike legacy and disjointed desktop software, it requires minimal training.

Less experienced team members, who may not have had exposure to accounts production and tax, can get up and running on Xero Tax with minimal effort and build up their knowledge by using Xero Tax's prompts, validations, and live web links to HMRC guidance covering the likes of capital gains, charitable donations, and use of historic trade losses.

4 File early

It can often be challenging for accountants to file accounts and tax ahead of time due to waiting on unresponsive clients to send them outstanding data. With Xero Tax, filing accounts and tax returns on deadline day can become a thing of the past.

Approving and filing close to deadline day is stressful for staff and can create friction in client relationships. However, the use of cloud accounting software means clients can keep their bookkeeping updated on a semi-regular basis rather than providing a shoebox full of receipts once per year, sometimes at the last minute.

Providing that clients are submitting their data regularly and accountants are maximising automation capabilities, the work associated with completing accounts production and tax filings should be kept to a minimum.

With Xero, data does not have to be duplicated, and Xero Tax provides an intuitive workflow, with a number of built-in checks that save time and reduce review time.

For company accounts and tax, this includes Ledger Validation, which identifies anomalies and errors (such as whether accruals and prepayments are missing), alongside flagging prior period mismatched values and any balance sheet or profit and loss categories not classified automatically. The Companies House and HMRC integrations also validate UTR numbers and pull in the latest company information to show recently appointed and terminated directors.

For personal tax in Xero Tax, the step-by-step workflow has a sophisticated validation process where any known errors or potential issues are highlighted to the user. In addition, there is a comparative tool, where the user can see the previous year entries underneath the current year's data, simply by clicking a button.

Fulfilling the aspiration to file earlier allows firms to optimise their staffing requirements and treat team members better by smoothing out the workload over time rather than them having to put in extra hours to beat filing deadlines.

The main client benefit of filing early is extra time to plan for taxes owed. For example, completing self-assessment filings by the end of September gives clients four months to settle their tax bill in the run-up to the January 31 deadline.

This also creates an opportunity for accountants to use their expertise to advise clients on cash flow planning.

5 Empower staff to work any time, anywhere

With recent data from Xero's UK 2021 Accounting & Bookkeeping Industry Performance Report, showing that 34 per cent of firms surveyed are planning to hire more staff, attracting and retaining employees is critical to fulfilling client filing obligations.

Disruption and lockdowns during the pandemic forced firms to adopt remote working as standard, which benefited cloud-based firms that already had remote working processes in place.

The adoption of cloud has created new ways of working, and not everyone wants to work nine-to-five from a city-based office. It's hard finding and retaining skilled accountants, but remote working has widened the talent pool. Staff can now be hired from anywhere in the country (and sometimes internationally, too) rather than being restricted to those who live within a commutable distance from the office. This is also creating a more diverse workforce, with single or young parents being able to stay or return to the profession due to the flexibility of this new way of working fitting in around their lifestyles.

Staffing needs can also be met by taking on temporary resources during busy filing periods. For example, this may include taking on a few extra pairs of hands during the run-up to the self-assessment deadline of 31 January. These individuals can be temporarily granted access to client data, with it being revoked once casual staff disengage. Xero has a number of different categories of user roles, and access can be given based on the seniority of the staff member or needs of the firm.

CASE STUDIES

MUNRO & PARTNERS

File early and often

Munro & Partners is a Surrey-based firm established in 2011, specialising in the creative, professional, and software sectors. The firm also serves a range of business and individual clients across other industries too.

The firm adopted Xero within a year of starting and aims to be a Xero-only practice. As soon as the firm adopted Xero, their employees saw the benefits of moving away from Excel and desktop-based software.

"We [were] very happy to move away from that previous software because it [was] costly and the biggest problem [was] that it [was] not online," says David Munro, Managing Director at Munro & Partners.

Their decision to use Xero Tax for accounts production and tax was based on its cost-effectiveness, seamless integration, and increased job visibility across the five-person team. "What excited me was the potential to have everything in one place," says David.

Xero Tax's efficiencies and streamlined workflows have enabled the firm to file ahead, and save time. This has helped them to provide a superior service to clients and support them with advice around cash management relating to taxes owed.

David says: "My plan from next year is to be able to give people their tax returns within three months of the tax year end, and in the future within one to two months. That way people get their information way before they need to pay their tax and can plan their cash."

His advice to others seeking to streamline accounts and tax is to "use Xero Tax and plan ahead of time to spread your tax returns across the year rather than put yourself and your clients under massive stress."



David Munro

DSK PARTNERS

Turbocharging collaboration

South London based DSK Partners has an impressive history of over 70 years. During this time, the practice has been through many changes, including transforming into a cloud-based firm in 2020.

This has resulted in DSK Partners, which prides itself on being "a practice of the future," moving away from paper records to a fully digital audit trail.

Paras Shah, Workflow Manager at DSK Partners, says: "In the last 10 years, we've been going through the process of digitalisation. We got our clients on to Xero. We're trying to use all the tools out there that Xero provides to get us paperless and to work without needing to be fully anchored to a desk."

The firm has found the collaborative nature of Xero particularly beneficial, with this being highlighted as a significant contributor to DSK Partners' wider efforts to streamline its compliance processes.

Xero has allowed the firm to upskill junior staff, assign tasks to different teams, and share the workload during particularly busy periods.



Paras Shah

"We're always on the look out for tools that allow us to monitor and manage workflows and allow collaboration between team members, and to future proof ourselves as a practice," says Paras.

More recently, the practice adopted Xero Tax to take care of close to 1,800 personal tax clients.

Its ease of use has further bolstered collaboration, with in-progress tax returns being shared with other team members when they have capacity. Spreading accounts production and tax filings across more staff helps eliminate bottlenecks and has freed up Paras to better tend to clients' needs.

"Xero Tax has shifted the practice's service lines," says Paras. "Instead of me wasting time trying to do the data entry and getting stuck in the little things I can spend more time with the client where it's required and give them a better service that way."

With MTD for ITSA looming on the horizon, he recommends that other accountants review their processes and switch to Xero Tax sooner to be best prepared.

DAVENPORTS

Lighten the workload by integrating an end-to-end solution

Davenport's Accountancy was created over twenty years ago by Scott Davenport and his partner Jason. The Bury-based practice is enjoying a period of rapid growth and has bolstered its team to 11 staff and introduced a separate marketing division.

Before adopting Xero Tax, the firm used Xero for day-to-day bookkeeping but used different software for accounts production and tax. Scott found this limiting for the firm due to having to complete the bulk of clients' personal tax returns himself.

He says: "I'd have to do it all myself because the system we were using wasn't very intuitive. You'd really have to know where things were going and how to set things up in the software."

Other limitations of the firm's old accounting production and tax software included expensive licence fees and technical niggles, which meant Scott would often get pulled away from other work to help colleagues fix problems.

However, since Davenport's moved to Xero Tax a couple of years ago, employees have been able to work on accounts and tax autonomously. The practice has also saved around 50 per cent of time on associated assignments, which Scott attributes to the software's end-to-end integrated nature.

"I know when I correct something in Xero it will then match the accounts," says Scott. "Whereas before I might have changed it in one piece of software and forgotten to change it in the other. The more things can link together, the less I or someone else has to rekey it, and the less chance of it being rekeyed wrong."

Managing the entirety of the practice's compliance work in one place has helped streamline accounts production and tax workflows.

Scott proposes other firms do the same so they can also benefit from these efficiencies: "If they're not online already I would say, why are they not online? I would urge them to start making steps towards getting online and using some sort of cloud based system and, for me, Xero is the best I've found."



Scott Davenport

DNA ACCOUNTANTS

Deeply integrated

For the last 20 years DNA Accountants have been run by Gillian French with her husband Ian French and in that time they have seen their turnover triple. They work with all types of clients, anything from one-man-bands to family owned businesses turning over £7m.

We beta-tested Xero Tax when it was still a prototype so we were aware of the potential, but we were using a desktop-based tax software at the time. In fact, we'd been using this software for over 20 years.

In September 2019, we became increasingly frustrated with this tax software and we decided to get in touch with our Xero account manager about rolling out Xero Tax for all our accounts production and tax filing needs.

Getting started was so easy and to top it all off, we didn't really need any training to use Xero Tax because it's so intuitive.

Before Xero Tax we were manually entering trial balances, from selected bookkeeping platforms to our then tax software, which was an incredibly onerous and time-consuming process. Xero and Xero Tax take this step out altogether saving us precious time and eliminating any chance of manual errors occurring.

That's one of the main reasons we decided to move all our 450 limited company clients to the core Xero product and Xero Tax. The two are deeply integrated so we can prepare and file statutory accounts and CTA600s all in one place.

The move has made us entirely paperless and this proved invaluable during lockdown. With our offices shut, we could no longer rely on paper records or face-to-face meetings. Using Xero Tax enabled us to continue serving our clients because we no longer had to send out paper accounts for signing – it's all done in the cloud.

I have several favourite features of Xero Tax but I wanted to see what everyone else at DNA thought, so we did an office survey. Even though there are many Xero Tax features we love, we ultimately all came up with the same answer: The ability to e-sign the accounts at a click of a button – without this feature, I feel our work processes would have ground to a halt during lockdown.

Her advice to accountants and bookkeepers who haven't started using Xero Tax yet, 'I'd say give it a try! It's free as part of the Xero partner programme and the set up is straightforward. When you try it, you'll be able to see the benefits first-hand.



Gillian French

SQUARE 1 ACCOUNTING

Moving personal tax to the cloud

Chesterfield-based sole practitioner Andy Housley comes from a background in IT and formerly had his own printing business. While running his printing business, he began doing his own books and realised he had a knack for numbers, so retrained as an accountant.

He started Square 1 Accounting in 2008 and has built up a broad client base. He prides himself on providing a personal service and one-to-one support.

Square 1 Accounting has been using Xero Tax for company accounts and tax for a while, but until recently, the team were still conducting personal tax assignments via a desktop product.

This was frustrating and inefficient for Andy as he had to extract information out of Xero's bookkeeping product and input it into his desktop software. "It was a big manual process that was clunky and not very intuitive," he says.

Additionally, the licence fee for his desktop personal tax product was so expensive that he split the cost with another practitioner.

Since taking on Xero Tax for personal tax he's found its cloud nature and integrations with the rest of the Xero product suite have boosted automation and reduced the time it takes to complete tax returns.

"I'm not having to manually enter a lot of information I've already done once. Having this one stop shop, makes the whole process that much more streamlined and tax efficient. I estimate I'll spend 20 to 30 minutes getting a tax return done now."

With reference to the time and money saved, he thinks it's a no-brainer for firms to use Xero Tax for personal tax if firms are already using Xero for bookkeeping.



Andy Housley



Xero empowers practices with online integrated bookkeeping, accounts, and tax returns, to improve practice efficiencies and make a real difference to your clients' business.

If you're an accountant or bookkeeper in practice, sign up to the Xero partner programme and access Xero Tax. You'll get the tools, resources and dedicated account management to help get your practice and clients set up for success. Visit www.xero.com/uk/xero-tax to get started.

