



BUSINESS & PERSONAL TAX SUPPORT

Accessing Real-Time Data

The benefits of digital accounting 2022-23



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In the next two years, we will see the extension of HMRC's Making Tax Digital initiative to include all VAT registered businesses and any self-employed business with turnover in excess of £10,000 p.a.

This will include property letting businesses (landlords) that are not incorporated.

Those affected will have to digitise record keeping so their financial data can be uploaded to HMRC's servers each quarter. For income tax purposes, this will apply from April 2024.

Add to this the need for all businesses to be keenly aware of their current financial position - to counter current economic challenges - and it is not difficult to see that we all need to use and benefit from computerised accounting records.

Manual record keeping is out-of-date

We are living through a period when recording business transactions or other tax information in a hand-written format is becoming redundant. The process is slow to manage and prone to error.

Instead, we need to embrace digital record keeping.

Embracing cloud-based accounting software

You may have taken the first tentative steps towards digitising your record keeping by recording transactions on a spreadsheet. Spreadsheets are rather like manual records – you still need to make individual entries – but totals are automatically updated using formulas. They do offer advantages, but unfortunately, these advantages are limited unless you have significant coding skills.

We can't over-emphasise the benefits of taking that extra step and using cloud-based accounting software to record transactions and access this real-time data to help run your business.

The benefits of accounts software

The benefits of cloud accounting software include:

1. You can link your bank accounts to your software – gone are days when it was necessary to reconcile entries using a pencil and paper statements, most accounting software handles this for you.
2. You can create and send invoices to customers directly from your PC/iPad or laptop. And, importantly, you can set up processes to manage credit control. For example, automating monthly statements and chasing emails.
3. Now that mobile phones have significant processing power, you can also manage these accounting processes using dedicated phone APPs. Check your bank balances, send an invoice from a remote location and so on.
4. Many software providers have stock control features and almost all have payroll options and automatic generation (and filing) of VAT returns using the new Making Tax Digital protocols.
5. We recommend cloud software, i.e., software you access via an internet browser. It is actually hosted on a remote server not your PC. In this way you can access the software from any internet linked device, to help you with any processing issues, and more importantly, view management reports.
6. The most important advantage of using cloud-based software is the ability to view real-time data, to see what is happening right now.

Once you get used to using technology in this way you will be surprised how much time you can save and how much useful information becomes available, at the click of a mouse, to help you run your business.

It is worth underlining that there is a wealth of reporting options beyond the usual profit, cash flow or balance sheet; reports that can be adapted to support your business endeavours. The key is to identify relevant challenges and then design reports that illustrate progress to solve those challenges.

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How much will this cost?

Most cloud-based accounts software is provided for a small monthly fee. Depending on the level of detail that you need to record, the monthly costs will rarely exceed £30.

You will need to consider training costs, but these costs are an investment. The payback you will receive will far outstrip any initial expenditure.

We can help

There is no one-size-fits-all approach. The collection of financial data offers almost unlimited scope to view that data in formats that will be of value to your business. The real skill is not designing the required reports, it's identifying the original problem(s) and making sure you extract information from your accounting software to manage those problem areas.

Having access to real-time data will transform your ability to manage your business on a day-to-day basis.

As the information is sited at a secure location accessible from the internet, we can also access the data and help you use the information to better manage your business.

If you would like to discuss how you could benefit from using or developing the use of a cloud accounting solution, now is the perfect time to dip your toe in the water. Call any time to discuss your options.

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