MAKING TAX DIGITAL *READY*

Making Tax Digital:

A communications toolkit for your practice

Getting your practice and clients compliant with MTD for VAT
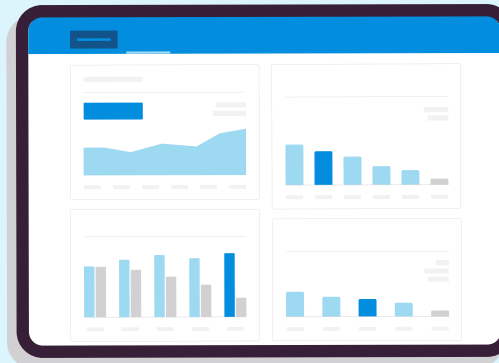
xero Beautiful business

Making Tax Digital in a nutshell

Making Tax Digital (MTD) is a government initiative to digitise the way businesses manage tax. MTD for VAT started in 2019, requiring VAT-registered businesses with a turnover of £85k (the previous VAT threshold) or more to keep digital records and submit their VAT returns using HMRC-recognised software. In April 2022, these rules extend to all VAT-registered businesses.

Based on VAT registration

MTD for VAT is mandatory for all VAT-registered businesses, as of April 2022.

MTD software needed

Businesses need to use compatible, HMRC-recognised MTD software to keep digital records and file VAT returns.

Maintain digital records

Through MTD, VAT-registered businesses are required by law to maintain digital records.

About this toolkit

We've built this toolkit to help you communicate the change with your clients, so you can make sure they're MTD-compliant with minimal fuss.

In this toolkit, you'll find guidance and resources to help you with your marketing and communications strategy, including:
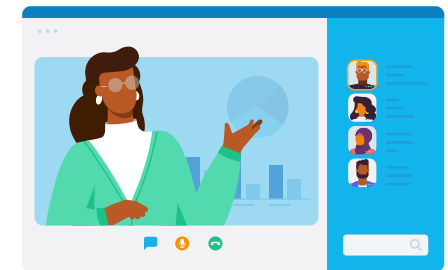
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Why Xero for Making Tax Digital?
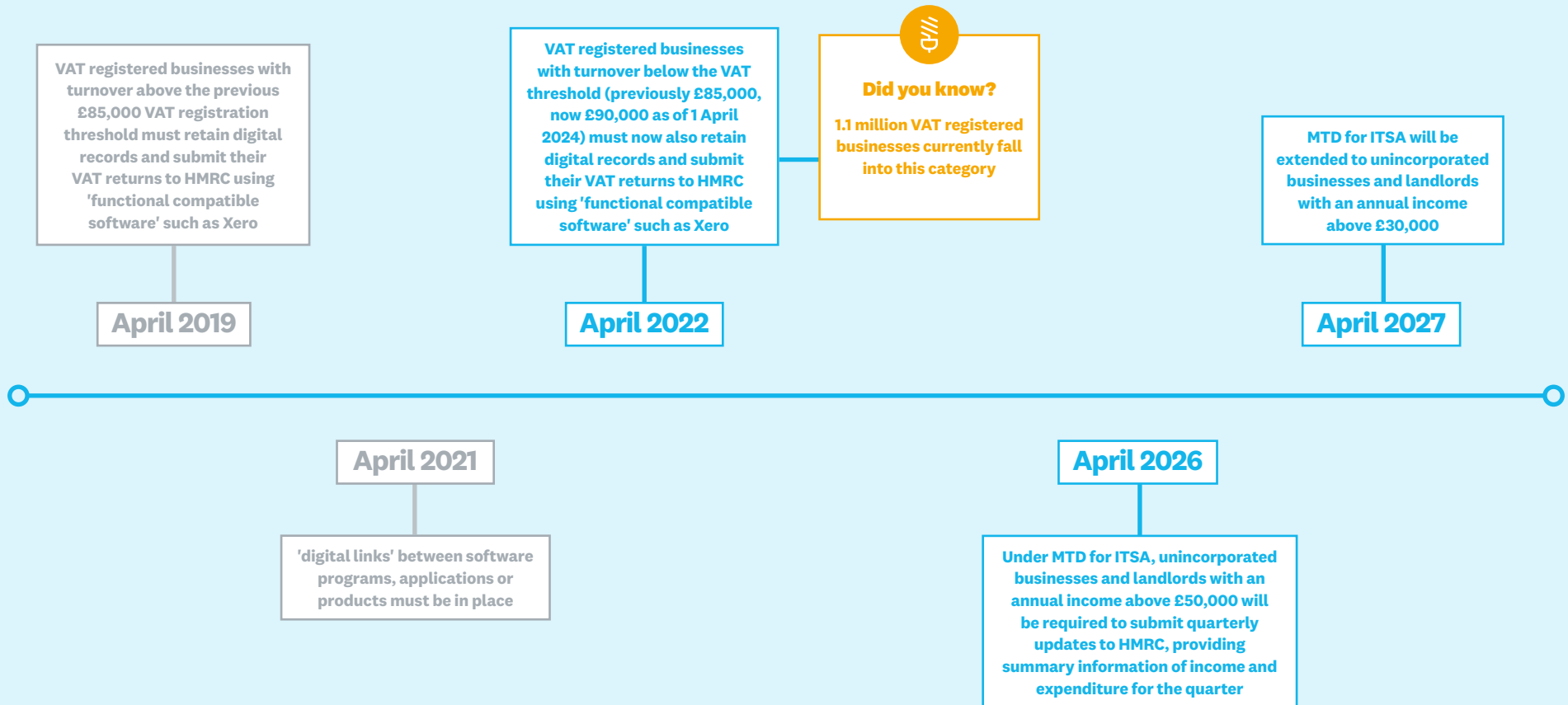
2
Getting your team up to speed

3
Communicating MTD and Xero to your clients

4
Hosting an MTD presentation – online or in-person

Timeline

VAT registered businesses with turnover above the previous £85,000 VAT registration threshold must retain digital records and submit their VAT returns to HMRC using 'functional compatible software' such as Xero

April 2019

VAT registered businesses with turnover below the VAT threshold (previously £85,000, now £90,000 as of 1 April 2024) must now also retain digital records and submit their VAT returns to HMRC using 'functional compatible software' such as Xero

April 2022

Did you know?

1.1 million VAT registered businesses currently fall into this category

MTD for ITSA will be extended to unincorporated businesses and landlords with an annual income above £30,000

April 2027

April 2021

'digital links' between software programs, applications or products must be in place

April 2026

Under MTD for ITSA, unincorporated businesses and landlords with an annual income above £50,000 will be required to submit quarterly updates to HMRC, providing summary information of income and expenditure for the quarter

Why Xero for Making Tax Digital?

Our beautiful cloud-based accounting software connects people with the right numbers anytime, anywhere, on any device. For accountants and bookkeepers, Xero helps build a trusted relationship with small business clients through online collaboration. We're proud to be helping 3 million+ subscribers worldwide transform the way they do business.

Making Tax Digital requires businesses to manage their tax affairs with HMRC using compatible software.

Xero has everything your clients need to run their business:

1 Send professional-looking purchase orders, quotes and invoices

2 Match incomings and outgoings automatically to accounts and bank statements

3 Send and receive payments, capture expenses and manage stock

4 Integrated payroll, project management and expense claim functionality

Plus with unlimited users, clients can add you – their advisor – or other business users without incurring additional fees, allowing you and your clients to manage the accounts faster, more efficiently and with fewer errors.

What's more, Xero's MTD functionality is available in all of Xero's VAT capable plans – with no additional fees and no extra work for you or your clients.

Features your clients will love

Expenses

Mobile app

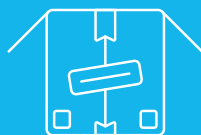**Direct bank connections**

Bill payments

Invoicing

Project management

Inventory

Bank reconciliations

Online VAT submissions

Payroll

Getting your team up to speed

Making sure your team is fully up to speed on Making Tax Digital is key to your firm's success. Are staff members able to answer those tricky client questions? Have you thought of all the scenarios and your response to give your clients peace of mind?

Creating FAQs for your practice staff

If you've received questions about MTD from your clients, consider recording them in a single document along with your firm's agreed responses. FAQs help your team to remain on message and will streamline the client experience.

We've created our own FAQs internally at Xero to help us respond to our subscribers, and many of those questions have been published online to help you get answers quickly.

Read our FAQs

Use the resources already available

Xero Making Tax Digital resource center

Our **Making Tax Digital resource centre** for accountants and bookkeepers has the latest resources and information to help you and your clients stay compliant. There's also a **resource centre** that you can share with your small business clients.

HMRC guidance and resources

HMRC has published guidance on Making Tax Digital for Business, providing context and clarification on who will be affected when, and what it means for businesses. It's important that your team keeps abreast of these updates. You can even use them to inform your own FAQ responses.

See HMRC's MTD guidance

Additional training

Aside from MTD-specific material, ensure that your team is fully skilled up on your firm's software of choice, as well as best practices for converting spreadsheet and desktop clients to online accounting.

We'd recommend checking out our **Energise consulting sessions** which are designed to ensure you and your practice have the skills and resources required to plan, communicate and execute your Xero projects.

Xero migration support

Take part in our **self-paced e-learning courses** to help you become an end-to-end migration expert. For more advice on data migration, check out our **partner consulting hub**. For queries on more complex migration projects, **email our partner consulting team directly**. Our qualified accountants, industry and project experts have years of experience working in and with practices just like yours.
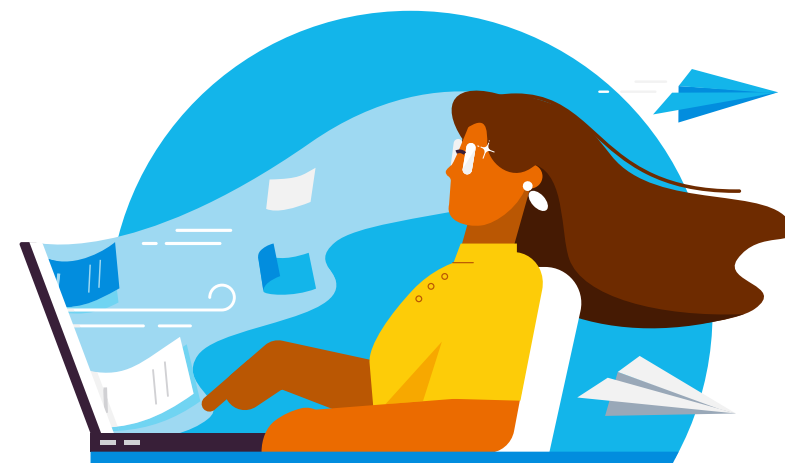
Additional resources

Making Tax Digital Cheat Sheet

Three tips to help UK small businesses prepare for MTD for VAT

How to improve your data and nail MTD

Getting prepared for the next phase of MTD

Communicating to your clients

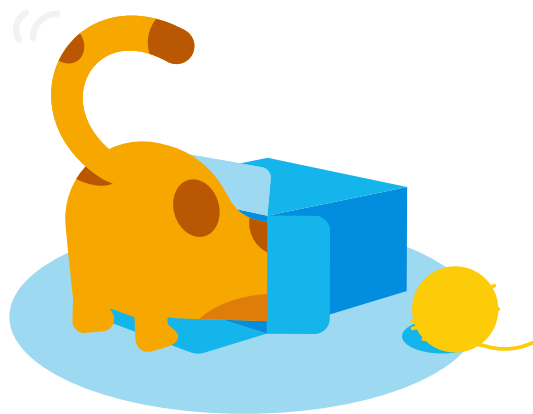**If you haven't already, we recommend migrating clients to compatible software as soon as possible.**

You'll need to make sure you communicate the change with your clients well before they need to submit their first digital VAT return.

Segmenting your audience

Start by segmenting your audience. Splitting your clients into groups helps you to tailor your message one group at a time to make sure you're sharing the right information at the right time.

Xero's migration course includes best practice for segmenting your clients so you have a clear idea of your migration process – but it helps with your communication plans, too.

For additional support on identifying and migrating clients, check out our **client migration resource hub** which have useful information on moving clients to Xero from other software and the steps you should take in the client migration process.

Mapping your message

Once you've segmented your audience, consider the different messages you need to communicate to each audience and when.

For example, your clients who are already using Xero to submit VAT returns won't need to change software, so you can let them know they have nothing to worry about.

Begin by drawing a flowchart of each audience, how many clients are affected in each, and note down the specific message you need to share with each audience. You can then decide how you'll communicate to that audience.

Here are some points to consider:

The number of clients in each group

If the number is small, a personal phone call from a client manager might suffice, followed by an email or letter to clarify your message. If the audience is larger, you might like to send an email or letter to let clients know next steps – and perhaps invite them to contact your team directly to find out more, register for a webinar or attend an event you're hosting.

Your clients' preferred channels

How do you communicate with clients? Do they prefer to receive emails or do you use private channels to communicate with them such as Slack, WhatsApp, or a Facebook or LinkedIn group? Maybe it's a mixture. Whatever you use, bear in mind the mediums your clients like to receive information when planning your communications.
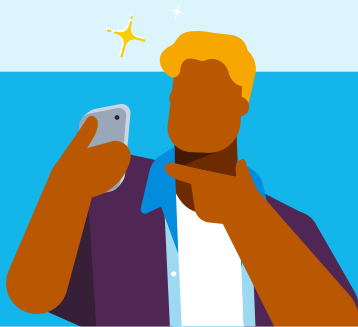
Prioritise – when do your clients need to know?

Some clients will be simpler to migrate than others or may need migrating in time for their current VAT period-end. Consider your timelines for each audience.

Managing an increase in subscription costs

It's up to you whether you pass on or absorb any additional subscription cost, but if you're upgrading clients' subscriptions, we generally recommend building the cost of the partner edition subscription into your client fee. The time saved and efficiencies gained for your practice will far outweigh the cost of the subscription.

Example communication flowchart

Find out more about our **pricing plans**

Clients using Xero

VAT Cashbook or Business Edition

"You'll need to submit VAT returns for MTD, but you're already using MTD compatible software. Let's get you set up with HMRC"

Ledger or Cashbook

"We'll need to upgrade you to VAT Cashbook or a Xero Business Edition plan so you can submit VAT returns. It's easy – just the click of a button and a small increase in your monthly subscription fee. Let us get that sorted for you."

Clients not using Xero

Desktop software

"You'll have to submit returns, so we'd like to switch your accounts to Xero online accounting software – this will avoid you having to fork out for expensive desktop software upgrades. Plus there are so many other great benefits to moving your accounts online! Join our Xero demo to learn more and book a time with us to get your accounts converted."

Other cloud-based software

"You'll need to submit VAT returns, but you can stay on your current software as long as the provider is MTD-compatible. Or you can switch to Xero, our preferred online accounting platform. Get in touch if you want to find out more."

Clients already using Xero to submit VAT

Businesses that register for VAT are now automatically signed up for MTD, so clients no longer need to sign up manually. Just make sure they're **registered for VAT.**

Next, they'll have to activate the MTD VAT return functionality in Xero.

Email/letter template: VAT clients already on Xero

New Message

Hi **[CLIENT NAME]**,

Under the Making Tax Digital (MTD) scheme, all VAT-registered UK businesses need to keep records digitally and submit returns to HMRC using MTD-compatible software.

MTD has been mandatory for VAT-registered businesses since April 2022, and we're working to make sure all VAT-registered clients are on the right software for MTD.

Xero is MTD-ready

The great news is that you're already using Xero which is compatible with MTD. Over the years, Xero has been working closely with HMRC to build an excellent experience for businesses submitting Making Tax Digital VAT returns.

In fact, 88% of businesses say that Xero makes MTD for VAT easy!

If you're already registered for VAT, HMRC will have signed you up for MTD automatically. Now all you need to do is activate MTD for VAT in Xero so that you can file complaint returns.

Want to know more?

We're here to help make sure you're supported with Making Tax Digital. If you have any questions about Xero or MTD, please don't hesitate to get in touch. We'd love to hear from you.

Clients using Xero Ledger or Cashbook

If your VAT-registered clients are using Xero Ledger or Cashbook partner edition plans, you'll need to upgrade their subscription to VAT Cashbook or a Xero business edition plan before using Xero's MTD for VAT functionality. The great news is, you can upgrade clients with just the click of a button inside Xero HQ.

Option 1: Manage client VAT returns with VAT Cashbook

VAT Cashbook is a simple upgrade which allows you to continue managing your clients' accounts, with the added functionality of generating MTD VAT returns for your client from inside Xero.

Option 2: Empower your clients with Xero business edition

If your clients would like to be more engaged with their finances, why not encourage them to use one of our **Xero business edition plans** where they can experience the full benefits of using Xero? Our business edition plans provide a tonne of great features for businesses, including sales invoicing, getting paid faster by accepting payments online and a real-time view of their cash flow with Xero's dashboard.

Either way, you'll need to let your clients know about the change.

Email/letter template: VAT clients using Xero Ledger or Cashbook

New Message

Hi [CLIENT NAME],

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MTD has been mandatory for VAT-registered businesses since April 2022, and we're working to make sure all VAT-registered clients are on the right software for MTD.

Getting your business ready with Xero

Over the years, Xero has been working closely with HMRC to build an excellent experience for businesses submitting Making Tax Digital VAT returns. In fact, 88% of businesses say that Xero makes MTD for VAT easy!

As a Xero [STATUS] partner, [PRACTICE NAME] has chosen Xero as our online accounting platform of choice – so we're already managing your accounts through Xero. However, your accounts are currently on a plan that doesn't allow VAT submissions. Here are the options:

- **We can do it for you:** As a Xero partner, we can continue managing your accounts for you. It's simple for us to upgrade you to Xero's VAT Cashbook plan and we'll be able to submit MTD VAT returns for you right away.

- **Get more involved with your finances:** Many of our clients love using Xero to manage their own bookkeeping, and you can too. We can upgrade you to one of Xero's business edition plans so you can send sales invoices from Xero, accept payments online to get paid faster, and get a real-time view of your cash flow with Xero's dashboard.

Why Xero?

More than 720,000 subscribers across the UK and three million subscribers around the world do beautiful business with Xero. Xero helps businesses save time on admin and get paid faster. You can login anytime on your PC, Mac, tablet or smartphone and see up-to-date financials. And we can do the same, which means we're able to advise you based on real-time, up-to-date financial information.

Contact us

We're here to help make sure you're supported with Making Tax Digital. We'd love to chat through your options, so please get in touch soon to arrange a time to speak. We'd love to hear from you.

Internal VAT clients: A quick-win

Beginning with your internal clients is a great way to get your team well and truly skilled up on the migration process and using Xero – and it's an easy win for your communication plan too.

If your internal VAT clients won't be using the software themselves, all you need to do is reassure them that you've got things covered – you'll migrate them to Xero and they'll be MTD-compliant.

Our Xero migration course will also guide you through the conversion process, helping you to understand the tools and resources, like **Movemybooks**, AdvanceTrack and Data Dear, to transition your clients on to Xero. For more complex data migration projects, speak to your Xero account manager about booking a session with our expert **data migration team**.

Email/letter template: Internal VAT clients

New Message

Hi **[CLIENT NAME]**,

Under the Making Tax Digital (MTD) scheme, all VAT-registered UK businesses now need to keep records digitally and submit VAT returns to HMRC using MTD-compatible software.

MTD has been mandatory for VAT-registered businesses since April 2022, and we're working to make sure all VAT-registered clients are on the right software for MTD.

Getting your business ready with Xero

The great news is, there's nothing you need to do. We'll automatically convert **[CLIENT BUSINESS NAME]**'s accounts to Xero online accounting.

[PRACTICE NAME] has chosen to partner with Xero as our online accounting platform of choice. More than 720,000 subscribers across the UK and three million subscribers around the world use and love Xero.

Xero helps businesses save time on admin and get paid faster. We can login anytime on any device and see up-to-date financials, which means we're able to advise you based on real-time, up-to-date financial information.

Over the years, Xero has been working closely with HMRC to build an excellent experience for businesses and their accountants submitting Making Tax Digital VAT returns.

Want to know more?

We're here to help make sure you're supported with Making Tax Digital. If you have any questions about Xero or MTD, please don't hesitate to get in touch. We'd love to hear from you.

Moving clients to Xero from spreadsheets

Switching your clients to Xero from spreadsheets isn't just a good idea because of Making Tax Digital. It'll also save you and your clients time from manual data entry, and worrying about clunky formulas and mistakes that are too easy to make.

Moving your clients from spreadsheets to Xero will mean tasks that took hours now take a few clicks. Here's more on why Xero trumps spreadsheets:

Provide a dashboard of key financials: Check bank balances, invoices, bills and expense claims in real-time – whenever you like – all in a single glance. Add additional transactions with a single click.

Send invoices, payments and VAT returns: Update your invoices, payments and pay runs directly from Xero and your accounts. Xero provides instant updates and even informs you when a payment has been made.

Sync bank statements automatically: Connect your bank accounts to Xero to automatically download statements and match them to your business accounts.

Send the right data to HMRC: Let Xero calculate your VAT return and payroll submissions automatically and save you hours of number crunching.

Save you from the shoebox: Say goodbye to the dreaded box of receipts. Simply scan and import documents, and link them directly to a given project in Xero.

Hit the road: Manage business finances on the go. File expense reports and complete other tasks with the Xero mobile app.

Email/letter template: Spreadsheet clients

New Message

Hi **[CLIENT NAME]**,

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MTD has been mandatory for VAT-registered businesses since April 2022, and we're working to make sure all VAT-registered clients are on the right software for MTD.

Getting your business ready with Xero

To comply with HMRC's regulation, we'll need to move your accounts off spreadsheets and onto Xero online accounting software. With Xero, your accounts will be stored safely and securely in the cloud and we'll be able to easily submit MTD VAT returns directly to HMRC.

[PRACTICE NAME] is working to transition all our clients to Xero, the UK's leading online accounting software. We're really excited to get you set up, because Xero comes with so many more benefits than just being MTD compliant – and, we'll be able to provide you with a much greater experience.

Why Xero?

More than 720,000 subscribers across the UK and three million around the world use and love Xero. Check out some of the benefits below:

- **Automate calculations:** Stop worrying about complicated formulas. Let Xero do the sums automatically so we can focus our time providing you with the right advice at the right time
- **View your key financials:** Check your bank balances, invoices, bills and expense claims in real-time
- **Bring your team together:** AAdd as many users as you like and as your advisor, we can work on the same data at the same time
- **Sync bank statements:** Use direct bank feeds to connect your bank account to Xero for quick and easy reconciliation
- **Submit the right data:** Easily submit your returns through MTD-compatible software
- **Feel safe and secure:** Rest easy, knowing that Xero provides multiple layers of data protection

Want to know more?

We're here to help make sure you're supported with Making Tax Digital. If you have any questions about Xero or Making Tax Digital, please don't hesitate to get in touch. We'd love to hear from you.

Moving clients to Xero from desktop software

It's time to leave frustrating and expensive software behind. Hundreds of businesses move from desktop to online accounting software every month, and it's even more important now that Making Tax Digital for VAT is here.

Plus don't forget, you can move two years worth of client data from **Sage 50 & Quickbooks desktop for free with Movemybooks**.

Xero is the best accounting software for every modern business

Here's what you can tell your desktop clients when you're moving them to Xero:

Manage your accounts from anywhere, on any device: Check your accounts from any mobile, tablet, laptop or desktop PC

Manage your cash flow, ingoings and outgoings: Invoice customers on the go, pay bills and staff with ease, and see a real-time picture of your cash flow

Take payment directly from your invoice: Provide easy payment options right from your invoice, so customers can pay you instantly

Manage your accounts from any device: Check balances and transactions, upload receipts, invoice customers and manage timesheets – from any device

Unlimited user access for free: Work more efficiently by letting your accountant and all your staff submit and manage expenses and receipts

Sync bank statements automatically: Connect your bank accounts to Xero to automatically download statements and match them to your business accounts.

Create the perfect solution for you: Over 1000 apps seamlessly connect to Xero, so you can manage your accounts your way

No hidden fees: Xero has no hidden charges, not even for MTD VAT returns

Data stored securely in the cloud: Your data is stored behind multiple layers of security, so you don't have to worry about losing data

Email/letter template: Desktop clients

New Message

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Getting your business ready with Xero

At **[PRACTICE NAME]**, we've chosen to migrate our clients off desktop software and onto Xero, the UK's leading online accounting software. We're really excited to get you set up, because Xero comes with so many more benefits than just being MTD compliant – and we'll be able to provide you with a much greater experience.

With Xero, your accounts will be stored safely and securely in the cloud to meet HMRC's requirements and you'll be able to easily submit MTD VAT returns directly to HMRC.

Why Xero?

More than 720,000 subscribers across the UK and more than three million around the world use and love Xero because you can:

- **Avoid hidden fees or expensive upgrades:** Connect unlimited users at no extra cost and get Xero's MTD for VAT functionality at no added cost
- **View your cash flow in real-time:** Xero connects to your bank account showing your ingoings and outgoings every day
- **Get paid faster:** Connect with customers through online invoicing and get paid directly from your invoice using payment providers like Stripe or PayPal
- **Control your spending:** Schedule payments with ease. Take a snap of your expenses and manage them all from one place.
- **Pay and manage staff with ease:** Get pay runs, timesheets and workplace pensions under control with payroll that syncs with your accounts
- **Track sales:** Xero tracks your sales, the value of your inventory and improves stock control
- **Run your business your way:** 1000+ apps seamlessly connect to Xero, so you can find the perfect solution that matches how you run your business.

Switching is easy

Moving from desktop software to Xero is easy – get in touch with us for support or do it yourselfwith **Movemybooks**.

Want to know more?

We're here to help make sure you're supported with Making Tax Digital. If you have any questions about Xero or Making Tax Digital, please don't hesitate to get in touch. We'd love to hear from you.

Hosting an MTD presentation

Events and webinars are a great way to build stronger relationships with clients and help to educate them about Making Tax Digital. So what can you do to encourage people to sign up and come along? We can help!

How we can help you host an MTD presentation

1 **Arrange for a Xero expert to be a guest speaker** - ither your Xero account manager or a Xero partner consultant can join as a guest speaker, attending in person or online. They'll be able to run a live demonstration, present the benefits of using Xero for MTD and can help answer any questions your clients may have

2 **Order free goodie bags for your attendees** - if you're hosting an in-person event, make it memorable by giving them a Xero goodie bag to take away. Each tote bag includes a notebook, pen, trolley coin and a pair of socks. Ask your Xero account manager how to access this benefit.

3 **Use our ready-made presentation deck** - to save you time creating your own presentation, we've created one for you. **Download here**.

4 **Brand your environment** - speak to your Xero account manager about ordering a Xero roller banner from the Xero Store for your in-person event or if you're hosting your event online, **virtual backgrounds**.

5 **Claim funding towards the cost of your presentation** - we can contribute towards your associated event costs, such as venue hire or catering if you're holding an event. Speak to your Xero account manager to find out more.

Email/letter template: Event invitation

New Message

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MTD has been mandatory for VAT-registered businesses since April 2022, and we're working to make sure all VAT-registered clients are on the right software for MTD.

You're invited to our free event

Join us at our free Making Tax Digital event where we'll share everything you need to know to get your business ready with Xero, the UK's leading online accounting platform and **[PRACTICE NAME]**'s platform of choice.

Why Xero?

[PRACTICE NAME] has chosen to partner with Xero as our online accounting platform of choice. More than 720,000 subscribers across the UK and more than three million subscribers around the world use and love Xero.

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Beautiful business