Xero for Making Tax Digital

More than just a compliance solution

Xero. More than just your solution to Making Tax Digital.

Making Tax Digital (MTD) is a government initiative to digitise the way businesses manage tax. All VAT-registered businesses will need to keep digital records and submit their VAT returns using HMRC-recognised software.

By choosing to manage your finances through Xero, you're in safe hands with software that's MTD compliant, HMRC-recognised, and easy to use. But there are many other efficiencies that your practice can access through Xero, too.

> *"Using Xero has been absolutely critical to us in order to help make things clearer and more understandable. Being able to show somebody their numbers, how they change month to month, what different drivers increase their profits – all those things we couldn't do without Xero."*

Georgi Rollings
Director, Starfish Accounting

Why you should encourage clients to use Xero rather than bridging software

MTD shouldn't be viewed as an arbitrary HMRC obligation. It's key to businesses getting their tax right and gaining better visibility on their finances. For accounting firms, it's an opportunity to move more resistant clients onto cloud software. The more clients that you can convert from this group, the less time you'll spend chasing receipts. Instead, you can spend that time on higher value advisory work – or doing something you love!

> *"We looked into the possibility of using bridging software when Making Tax Digital first came in for larger VAT registered clients and we made a conscious decision that was not the right approach for us. The joy of having every bit of data digitally is that you can work through it more quickly, you've got better information - why wouldn't we push our clients to get their data into that format instead of putting a sticking plaster on top of a bad process? We never used bridging software and absolutely wouldn't consider using that now."*

Data capture tools to increase automation

Xero's automation toolset allows you to receive timely insights into your clients' financials, so you can help them make smarter business decisions. Accurately capture data from source documents - such as bills and receipts - import transaction data from bank accounts and assist your clients with getting paid.

How automation helps your practice
Increase efficiency Get more done in less time. Access data and insights you need in near real-time. Thanks to automated end-to-end bookkeeping, tasks that used to take hours are completed in minutes.
Improve accuracy Automating data entry and transaction coding helps to ensure you generate accurate and up-to-date financials for your clients.
Stay in control While Xero automates a lot of the mundane, you can always review what's been done behind the scenes and make changes as needed.
A more flexible way of working Automating manual tasks and eliminating paper from the bookkeeping workflow gives you the flexibility to manage your practice from wherever, whenever.

Benefits of automation for your clients
More time to spend on what they love Adding automation to your clients' bookkeeping processes frees up time for them to work on their business instead of in it. No more long lead times and slow delivery of financial reports to your clients.
An accurate view of business financials Get your clients involved and help them develop an ongoing understanding of how their business is doing. Automated bookkeeping processes reduce human error and avoid lost documentation. It helps to ensure their records paint an accurate picture of their financials.
Retain control over financials While Xero automates much of the mundane, your clients can always review what's been done behind the scenes and work through any required changes with you.

Hubdoc is included as part of your Xero partner subscription and can save you valuable time chasing documents from clients, entering data manually and checking transactions against original documents. There are also lots of other data capture tool alternatives that you can add onto your subscription, such as Dext Prepare.

Bank feeds

With bank feeds, transactions flow seamlessly into Xero, reducing manual admin and the risk of data entry errors. Bank feeds make daily reconciliation a reality and allow businesses to see their true financial position. Working with the same data, you - as their accountant or bookkeeper - can forecast, plan and help businesses remain financially stable and viable.

Bank feeds are automatic, secure, accurate and reliable — so you can provide timely and informed advice. You can set up feeds from multiple banks and any number of bank accounts — it's all included in the price of your Xero subscription.

Benefits of bank feeds

Data imports are secure

All data sent from the bank to Xero is encrypted and transferred through a high security connection, so you know it's well protected. There's no manual handling or risk of human error.

Streamlined reconciliation

When transactions are fed into Xero each business day, bank reconciliation can be done daily, quickly and easily. The client tells Xero what each transaction was for, or simply confirms what Xero suggests.

Save time & reduce workload during tax time

Say goodbye to chasing clients for bank statements to import. With bank transactions automatically flowing into Xero, come tax time most of the hard work is done — income and expenses are already categorised, and payments matched to invoices.

Watch our Bank Feeds video or find out more on our Xero bank feeds page.

"Now everything is automated, we get hold of data more quickly, we can analyse it better, and we can claim more VAT back for our clients because we can see more detail behind it. Our clients take photos of their receipts or forward on their invoices and we're able to extract the data on what VAT can be claimed on each individual transaction. That then gets pushed through to Xero, matched with the transactions in the bank reconciliation and 'ta-da' it is all there waiting for us to check."

Online invoicing with Xero

Online invoicing is designed to help you get paid faster. Send online invoices from the desktop or app as soon as the job is done.

Benefits of using online invoicing

Customise your online invoices

- Create and send professional-looking invoices from Xero
- Create your own personalised invoice layouts
- Insert your logo and set your payment terms
- Add a standard message or insert more fields

Accept payments instantly

- Let customers pay you straight away from online invoices using third-party payment services
- Add a 'Pay now' button to online invoices for one-click payment
- Accept debit and credit cards, as well as direct debit
- Accept card payments with Stripe or direct debit with GoCardless

Set automatic reminders

- Give customers an extra nudge and take the work out of chasing payments
- Choose how often you want reminders emailed
- Remind customers before or after the due date
- See when reminders were sent

Invoice direct from the app

- Use the Xero mobile app to create and send invoices from your phone or tablet
- Easily add new customers the moment you need to invoice
- See whether your customer has viewed an invoice
- Check for unpaid invoices in the app while you're out and about

"Working with Xero has made us much more efficient as a practice and it means we don't spend as much time doing the things that don't really add value to a client. It means we then can spend that time with clients on the value adding conversations."

Combining bank rules with cash coding

Xero's cash coding feature is a fast and easy way to reconcile multiple statement lines relating to cash transactions in one go. When combined with bank rules, cash coding has the ability to save your practice time by automating a lot of the work it takes to manually enter transaction information.

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When combined with bank rules, cash coding can be a powerful solution for reconciling multiple transactions at once. The best transactions to set up bank rules for are those that happen routinely and require minimal documentation. This great article outlines how to reconcile statement lines in bulk by applying bank rules in cash coding.
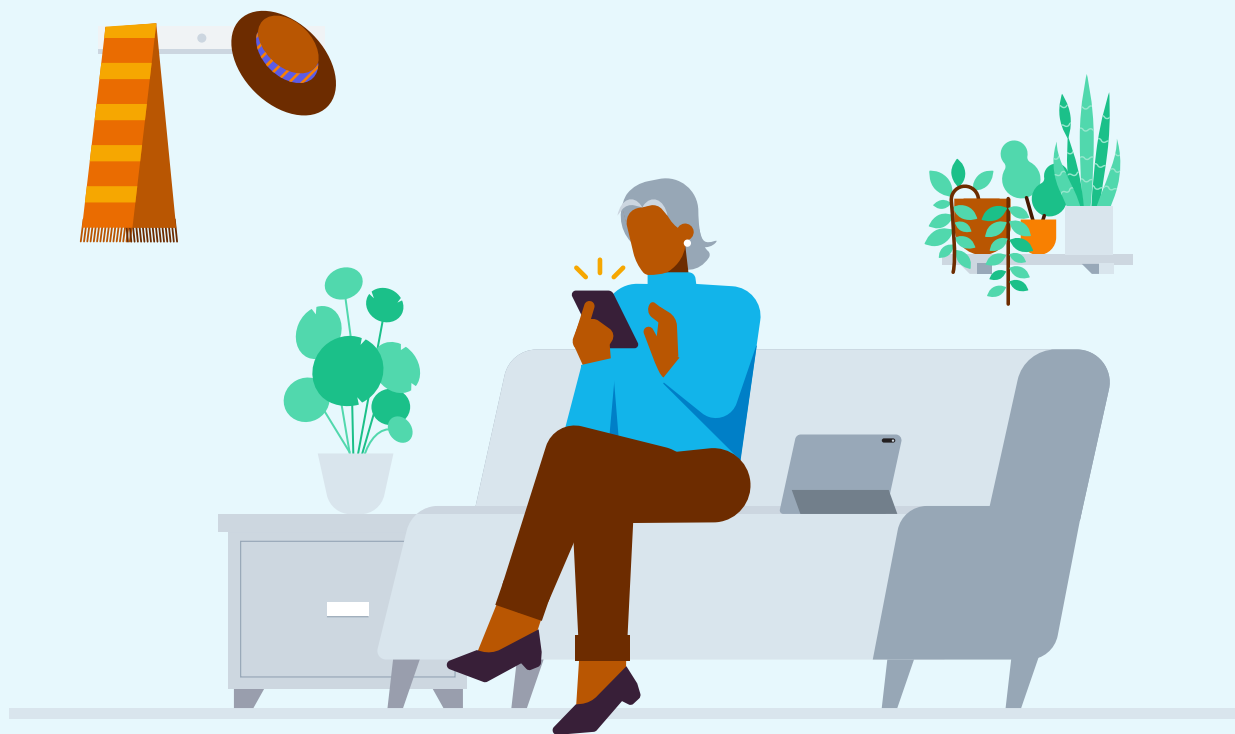
More about bank rules

When a bank statement line imports into your Xero bank account, Xero checks the details to see if it meets the conditions of your bank rules. You can see what details import and what fields they import into when you reconcile your bank account. Click 'More details' next to any statement line to see all fields.

Xero checks the rules in the order they appear on the bank rules screen. If the statement line does meet the conditions you specified in one of your bank rules, Xero suggests either a new 'spend money', 'receive money', or 'transfer money' transactions as you reconcile. Xero completes the transaction details from the information specified in the rule, so all you need to do is check the details and click OK to approve the match. When you approve the match, Xero creates the transaction.

If the transaction Xero suggests isn't quite right, you can edit it, create a new one, or find an existing transaction in Xero to match with the statement line.

How it works:

- When you use cash coding to reconcile a statement line, you create a 'receive' or 'spend' money transaction automatically.
- Don't use cash coding to reconcile statement lines relating to transactions already entered in Xero, such as invoices, bills or expense claims.
- Statement lines are displayed in a spreadsheet format so it's easy to sort and code similar transactions. You can view up to 200 lines at once.
- Work through them one by one or select multiple lines to reconcile at the same time.

"When we have transactions where we don't have receipts and haven't processed things through data capture tools, we're able to use another really powerful feature of Xero called cash coding. We have bank rules set up to handle things like bank fees, train tickets and those kinds of things. We go into the cash coding screen and anything with a bank rule gets reconciled with one click."

"Cash coding has made an enormous difference in how long it takes us to work through the bank reconciliation and we wouldn't be without it."

Join over 100,000 accountants and bookkeepers using Xero in their practice.

Find out more