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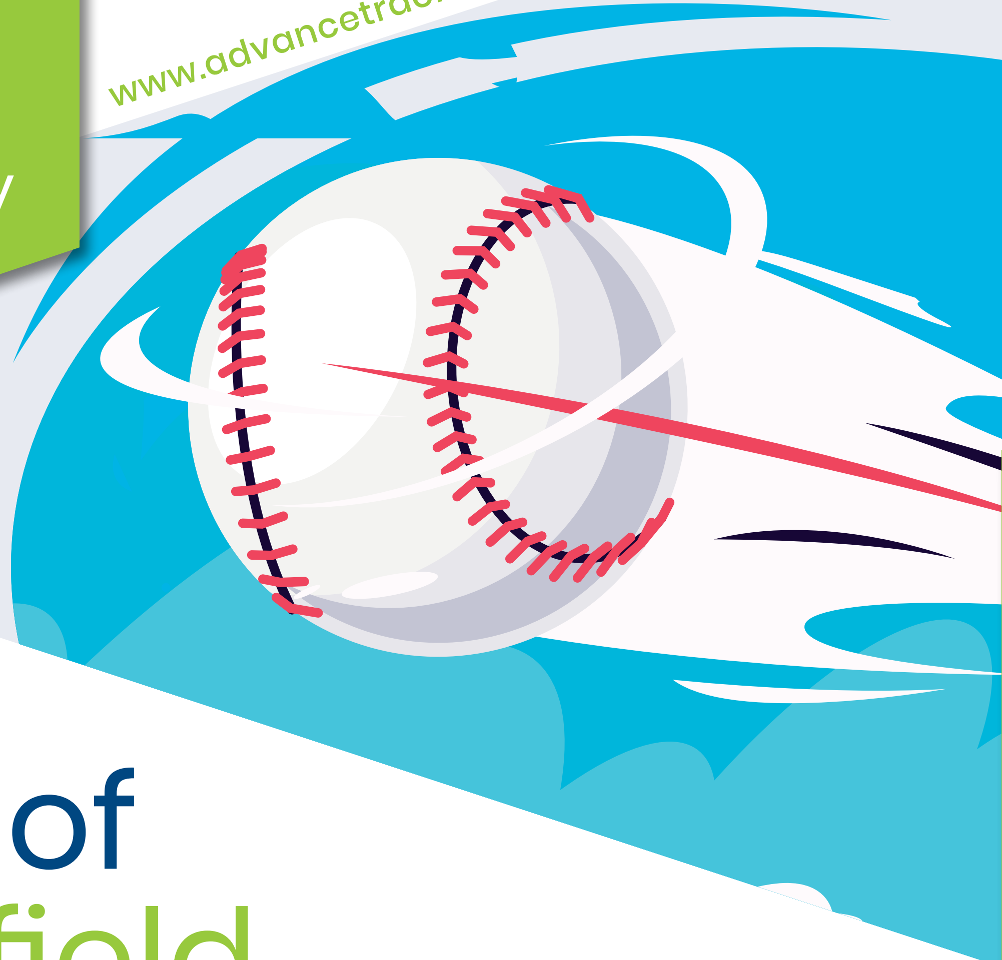


Inside OUTSOURCING®

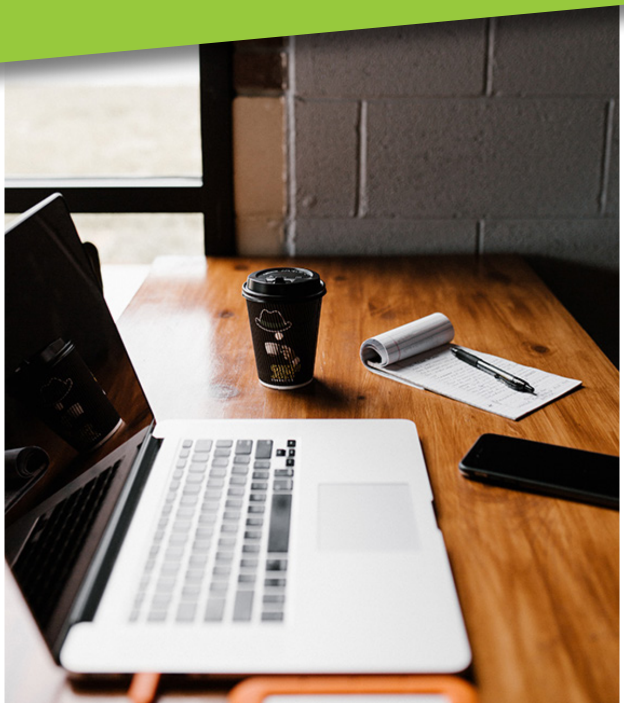
The newsletter for forward-thinking professionals

Out of left field

Basis Period Reform has crept up from behind MTD to have huge implications for small businesses' tax, cashflow and accounting

Basis Period Reform appears from MTD's shadow

While MTD has taken the headlines, a different set of rules could see your clients (and even some practices) hit by an extra-large tax bill.



While there has been much focus on the reporting impact upon the smallest businesses from Making Tax Digital (MTD), there are other impending rule changes that require focus.

Basis Period Reform seeks to 'remove complication' by aligning sole trader and LLP tax filings with that of the tax year itself. Taxable profits will need to be reported from April 2024 for the period up to 5 April – even if they have a different accounting year-end.

But, while there has been the threat of MTD being a step towards HMRC collecting tax earlier, the Basis Period Reform could be a cash nightmare for some small businesses. With 2023/24 being a transition year, businesses with a year-end that fails to match the tax year-end will have to 'catch up'. In other words, those with an end-of-April year-end could be taxed on 23 months of profit.

The communication game

This impending change isn't 'a new thing', but there's no doubt it's crept along (and with little debate or publicity) since being announced in 2021.

Certainly, many practitioners have been looking to change accounting periods for some affected already and help them manage their new tax bills. Others will be aware of 'overlap relief' and the ability to spread the extra tax due over five tax years – but still, it's a potentially big negative impact on cash positions.

I do wonder if practices have done enough to warn their clients – and that practitioners operating within LLPs themselves are aware of the potential difficulties that these accelerated tax payments (and/or shifting their accounting period) may have on any partner payouts. Or… what if the reliefs and mitigations happen during a period that partners are retiring?

A heady mix

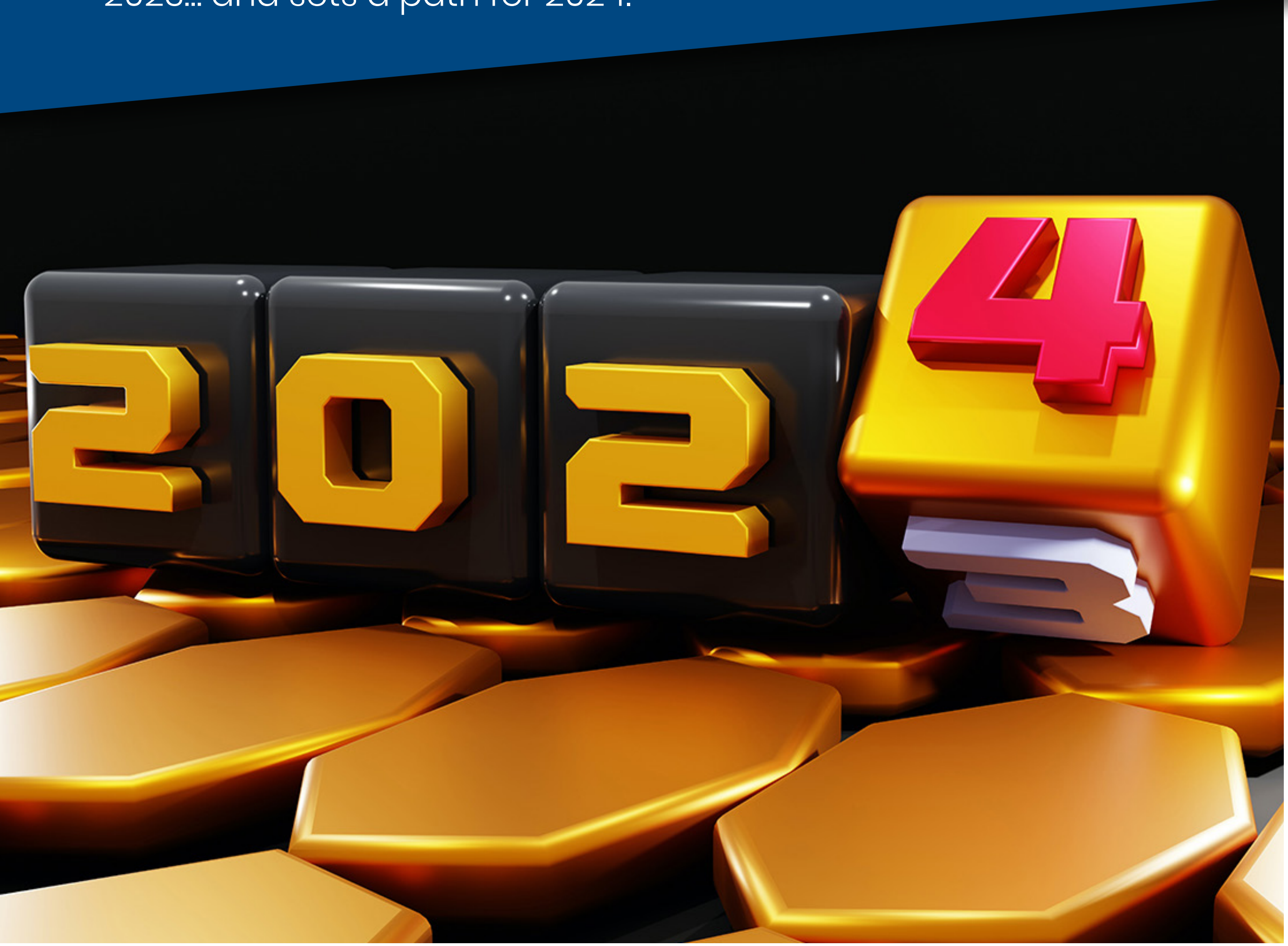
Without delving further into the technicalities, it's a heady mix of potentially revised reporting, alongside 'fiddly' tax advice and cash management. And then there's the fact that it may impact many practices directly.

The reality is, there has already been work for accountants to undertake; and, by definition, for us at AdvanceTrack – with more in the pipeline. But can practices price in, or even keep track of, this 'extra' work? And if so, are you prepared to do so?

■ *Vipul Sheth is MD and founder of AdvanceTrack. If you'd like to talk to us about helping you manage your workload, then please get in touch by clicking here.*

A year of challenge, growth and a promise of great things ahead

AdvanceTrack founder and MD Vipul Sheth rounds up 2023… and sets a path for 2024.



2023 was a demanding and challenging year – but it was also a rewarding one for both AdvanceTrack and its accountancy partners. In a stuttering economy, one held back by high inflation and interest rates, AdvanceTrack celebrated its 20th year in business; a highlight was our annual conference at the British Museum.

Despite the tough conditions, we have seen outsourcing and offshoring appreciated as a key plank of the operational and strategic direction for accountancy practices. And not just in the UK, but across the world.

Practices' services have been in demand, and we have worked more closely than ever with them to work through resourcing bottlenecks or, more often the case, as the backbone of their core services. In doing so we're very proud to have maintained compound growth of 60%… Can we do that again in 2024? Well, that's a tough ask – but not too shabby for a 20-year-old business!

Opportunity and investment

Keeping such a level of growth requires investment, opportunity and ambition. Seasoned accountancy tech pro Dermot Hamblin joined the team in the spring as sales director, and our

longest-serving team members were rewarded with a five-day trip to Dubai.

Staff numbers have increased, as have our office locations. We expect numbers of both to rise again in the next 12 months.

Speaking of our team – it seems a great opportunity to announce that former EY partner Craig McKell has joined AdvanceTrack. Based in Sydney, Australia, the chartered accountant will support our growth in the Asia-Pacific region. Craig has run a tech business for more than ten years and understands the steps to scale an organisation. AdvanceTrack has a core of experienced professionals managing at both strategic and operational levels. As important, we're ready to take things to the next stage.

Our conduct and service

What we don't expect to change at AdvanceTrack is our commitment to both service and our conduct. We consider ourselves as values-based, and we like to think that our accountancy firm partners would vouch for us as living to our principles.

The practice market

It's been spoken about in recent blogs, but we will say it again: the inner workings of practices must be streamlined, efficient and provide insight to the clientele. Without these things in place then everything becomes much harder for the practice to operate day-to-day or to make a good profit. And, inevitably, margins erode.

Even though the working world is tough, practitioners are in a great position to support their end clients through the sharing of important and timely financial or business information – whether it's cashflow advice, debt restructuring, credit control or more. My biggest concern is practices not grasping the nettle of automation, process improvement and tech investment to streamline and make efficient their core compliance services. Perhaps more will come out in the wash during 2024.

We see audit as a huge area of growth for practices and, therefore, us too. Our audit services offering will grow in the next 12 months as firms look to manage resources. Management accounts and bookkeeping will also be critical. We will make another big round of investment in our tech – and no doubt there will be more chatter and developments in the AI space too.

The next 12 months will be transformative in the way we deliver services to clients, and perhaps your firm is looking to achieve the same thing too. Let's see what we can do together.

■ *If you'd like to talk to us about supporting your audit offering, then please contact us by clicking here.*

Hiring and firing: how the Big Four model differs from smaller firms

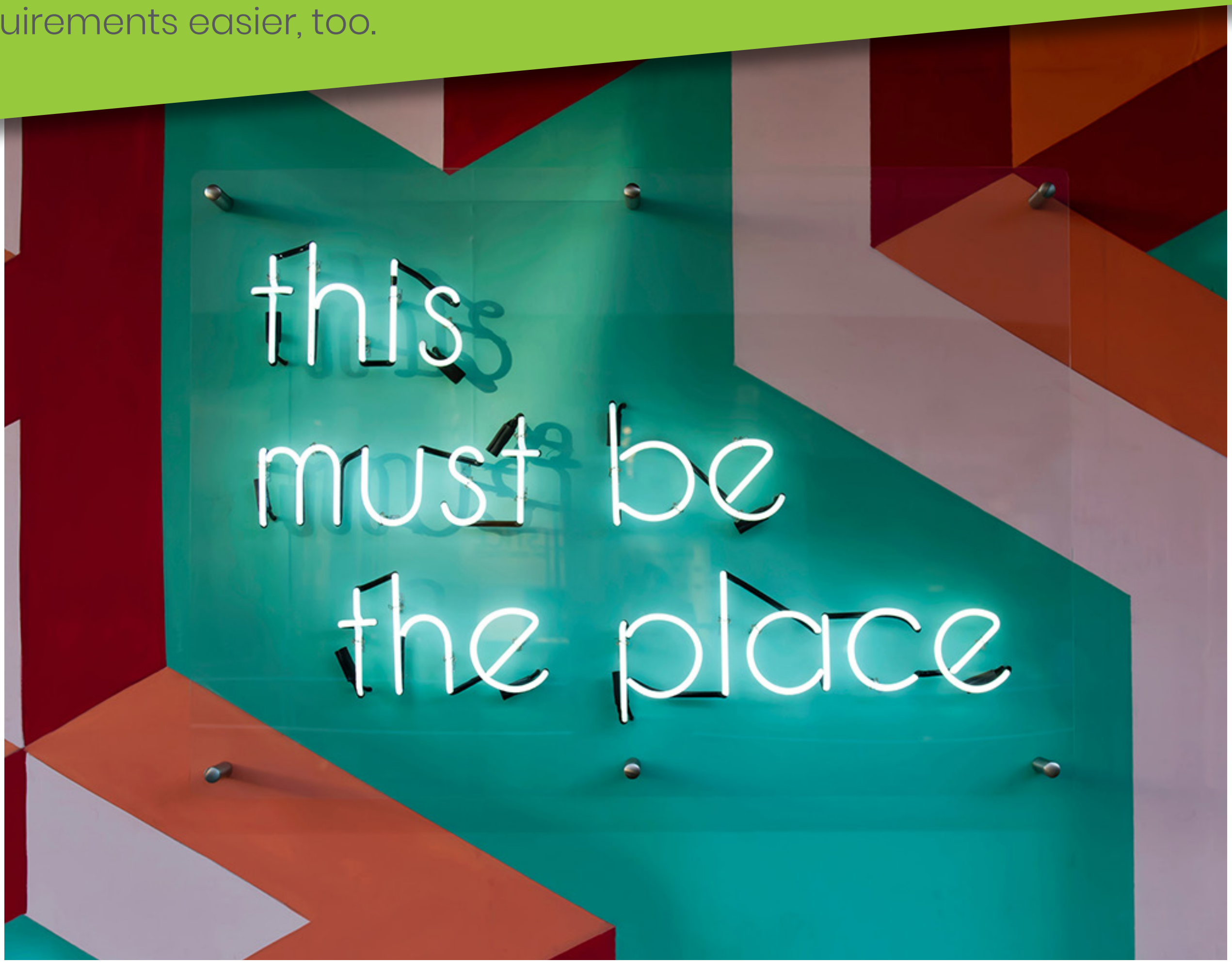
The Big Four model caters for both consistency and cyclicality in terms of resource management... and we can apply some of their approach to make your people requirements easier, too.

Talent management in the Big Four firms is very different to that of other practices. But there are lessons that can be learnt from their approach.

Due to their scale (and reputation), they can hire en masse; which is particularly useful when steering their services towards the latest disruptive regulatory changes that drive multinational clients in their direction.

And, as we've seen with the news of 800 job cuts at Deloitte, when that wave of work is about to break, they take the opportunity to change tack and steer themselves ready for the next wave to come along.

You may think that smaller firms should, by definition, be more 'agile' than the Big Four. But, they don't have the same pull (in a recruitment sense) as the biggest firms. They simply don't have a mass of people that can be utilised on different tasks and projects. The room to manoeuvre isn't the same.



“We’re not here to ‘replace talent’ or ‘take away jobs’. Instead, we enable practices to focus on their clients and their people”

From talent to resource

But we can learn from their model. Because, behind the front-facing engagement partners and consultants, the biggest firms manage their margin (and resource) by utilising huge shared-service centres. And a version of this model is available to practices of practically all denominations – we should know because we work with them.

Working with an outsourcing and offshoring partner, you can create vital flexibility into your resource management. This, in turn, helps you better develop and utilise your own internal talent.

Talent management can mean a number of things – in the short- to medium-term it can relate to developing and offering a new service, or the best service possible. Without wishing to go too off-topic, it’s worth remembering that in the longer-term, it relates to practice sustainability and succession planning.

Outsourcing and offshoring sit more on the resources side of things. We’re not here to ‘replace talent’ or ‘take away jobs’. Instead, we enable practices to focus on their clients and their people. We like to think that we’re also very efficient and good value for both what we offer; and what we free your firm’s people to achieve.

The second lesson? Well, this may be a bit controversial. If the people leaving the biggest firms haven’t quite worked out there, then they might not be the answer to your talent issue either. Even great people can find it hard working in a smaller practice compared to a Big Four firm, particularly where they haven’t been client-facing (which is generally a requirement in smaller practice – I know from having trained in such an office).

But please don’t look at the Big Four with envy. There are options available to your firm, and we’d be happy to discuss them with you.