

AAT

ACCOUNTING TECHNICIAN MAGAZINE
MARCH/APRIL 2023 AAT.ORG.UK

Shore to shore

Why you might want to try
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Enticing prospects

Overcome the recruitment crisis
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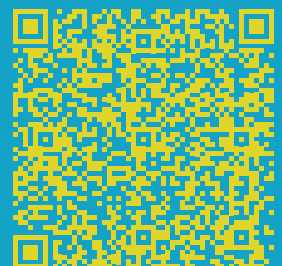
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FROM THE PRESIDENT

This article is penned ahead of the launch of our new strategy, but also following an amazing event I attended with Sarah Beale representing AAT at the World Congress of Accountants in India. To speak to many there – around 10,000 accountants from more than 120 countries – over four days, about what AAT is all about and advocating for the accounting technician qualification will be one of my highlights.

The new strategy is about AAT continuing to represent our members in a very challenging and ever-changing environment, keeping us all relevant in the marketplace and representing our businesses and clients. It also means having a voice advocating for our members nationally and internationally.

I am proud to say that my three goals of raising awareness of ethics, social mobility and sustainability will be embedded in this new strategy. We must celebrate our unique advantage as an entry route to the accounting profession, regardless of any characteristic we have, or educational background we come from.

Christina Earls, AAT President

Welcome

It's fair to say these are exciting times. AAT has set out its aims and ambitions for members and the profession in the coming years, and it could not be better timed.

There are, of course, myriad factors at play, but one that has accelerated significantly, and in a fascinating way, is AI. We explore what ChatGPT and its ilk are capable of and what it means for the profession on p30-31, but I'd like to offer some thoughts here, which are hopefully reassuring.

While ChatGPT narrowly failed an accounting exam paper, it should be pointed out that, as it stands, it is little more than a (admittedly impressive) pattern-predictor. To be reductive, it is a very fancy version of predictive text.

While the technology will undoubtedly develop, it's difficult to know where we are on that curve. There are those

who say it's reminiscent of the advent of the internet, and there are leaps and bounds to come. But at present, it not only makes too many errors, it does so confidently. So, for now, and the foreseeable future, we can relax.



Calum Fuller, Editor

aat

30 Churchill Place
London EC14 5EU
UK: 0203 735 2486
Outside UK:
+44 (0) 20 7397 3000
Fax: +44 (0) 20 7397 3009
Email: info@aat.org.uk

Content Manager
David Nunn
Content Editor
Hannah Dolan
President
Christina Earls FMAAT
Vice-President
Kevin Bragg FMAAT
Chief Executive
Sarah Beale MAAT

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Editor **Calum Fuller**
Deputy Editor **Emma Monk**
Designers **Gene Cornelius, Craig Bowyer**
Picture Editor **Claire Echavarry**
Group Editor **Jon Watkins**

ADVERTISING
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Inside

‘LITTLE HEADROOM’ FOR TAX CUTS, SAYS HUNT

The chancellor has warned there will be no “significant” tax cuts when he delivers the Budget in March.

Jeremy Hunt has been under pressure from some in the Conservative Party to stimulate the economy through tax cuts. In a speech at Bloomberg’s London offices, he warned it was “unlikely” he would find room in the Budget to do so, adding that his party’s pledge to halve inflation “is the best tax cut right now”.

After a turbulent autumn, when financial markets pushed up the UK’s cost of borrowing, Hunt said he was determined to show that the country is responsible.

That means “showing the world, showing the markets that we are a responsible nation, that we can pay our way, that we can balance our books”, he said.

Prime minister Rishi Sunak has pledged to halve inflation by the end of the year.

But some economists have said prices will begin to fall back naturally, without government intervention, due to commodity prices and shipping costs decreasing towards the end of last year. Energy prices are also expected to ease in the second half of 2023. =



£27.4bn

**The amount of government
borrowing in December
2022 – a 30-year high**

SOURCE: OFFICE FOR BUDGET RESPONSIBILITY

YOU CAN MESS UP WELL

Taking risks and making mistakes are always nerve-racking and potentially painful and costly. Lucy Cohen FMAAT talks us through how to make the most of our errors

WORDS CALUM FULLER

It seems a statement of the obvious, but it bears repeating: making mistakes is never a pleasant experience. As with all things, it should be borne in mind that there is a scale. On one end, you have major mistakes (think Liz Truss and Kwasi Kwarteng's mini-Budget), ranging all the way down to the humble typo.

Ideally, of course, mistakes should be avoided. Failing that, how do you make the best of them, recover from them and, crucially, not let them define you?

Not only that, but it's vital to be prepared for mistakes to occur, and to accept them as part of improving and growing – both in business and in life more generally.

Lucy Cohen FMAAT is co-founder of Mazuma Accounting and sits on AAT's Council. She advocates a healthy mix of forensics and forgiveness when handling mistakes, and harnessing the lessons for future improvement. ▶



“Growth can be messy and mistake-laden. You need to be able to give yourself permission to make mistakes, own it, learn from it and not dwell on it too much.”

“SOMETHING WAS MISSING ON THE FIRST DAY AT OUR NEW OFFICES — OUR NEW SALES DIRECTOR...”

Mazuma Accounting has grown into a successful business. But it made its share of mistakes along the way.

“We hired this person because we had got it into our heads that we couldn’t do sales, even though we had been quite successfully doing it up to that point. He was incredibly experienced and well-known in the business community, and he offered to come on board as a non-executive director, with no monthly payments — but would want a percentage of cash at exit.

“We allowed him to hype us up and we got really excited. We moved into a huge premises and took on a lot of borrowing because he convinced us that we had been thinking too small.

“Then, on the day we moved into the premises, he ghosted us. He disappeared. We were sitting in this ridiculous-sized office with a boardroom, with only three staff. We didn’t even have enough fees to pay the rent.

“We’d gone through due diligence, but people are unpredictable. We had no idea what had happened — we made efforts to contact him, but there was no sign of him. So we had a decision to make: we either do this or we don’t.

“I remember sitting on the floor of the boardroom and figuring out what to do, and we just went back to shoe-leather stuff like networking and working extremely hard. We got through

it, but it was a huge mistake.

“Our first error was allowing someone to encourage us to believe the hype. Maybe he did believe it, but there wasn’t enough evidence in terms of what our business did to go from 0-100 in the way we did. We should have said: ‘We’ve trialled this, it’s been successful, let’s scale it.’ What it taught us was that when your back is against the wall, you can achieve incredible things and that everything is negotiable.

“Around 18 months later, we’d got ourselves back on our feet. At that point, he reappeared and tried to sue us and sent us a large request for payment.

“We didn’t have money for lawyers, but I wrote back refuting his claim and he disappeared again. Another six months later, he sent me a text message apologising. He explained he’d had a breakdown and divorced his wife. That was why he’d behaved that way. That’s not acceptable — you don’t get to do that just because you’ve had a bad personal situation — but we learned a lot. Some of it was out of our control, some of it wasn’t. It was too far outside our comfort zone and put a real risk on the business financially, so we hadn’t made a good assessment there. We became much better business people as a result.”

Lucy Cohen FMAAT, co-founder of Mazuma Accounting

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► **RECOGNISE AND UNDERSTAND YOUR RISK APPETITE**

Understanding the level of risk you're prepared to take will help hugely in terms of weighing up whether a particular task or project is worth it, both in terms of potential upside and downside.

"In accountancy, people have a tendency to be perfectionists, and because of professional integrity and ethics, they don't want to be making mistakes," explains Cohen.

"That means they end up being incredibly risk-averse, which can be problematic in terms of growth. Growth can be messy and mistake-laden. You need to be able to give yourself permission to make mistakes, own it, learn from it and move on and not dwell on it too much. It's about figuring out your personal risk profile. What is it you'll accept? Everyone naturally has a level of risk that they're okay with. Some people are very risk-averse and will only take small gambles, others are much happier to roll the dice and more comfortable with high risk/high reward."

SET PARAMETERS TO YOUR RISK

Growth is expensive, and it's important to recognise that your budget won't always be used in the most efficient way. However, it's also vital to define what you are prepared to lose in pursuit of growth, knowing you won't go beyond your agreed parameters in order to mitigate the risk.

"It's about finding where you fall when it comes to risk and reward, and pushing yourself just a little bit so you can grow."

"Never gamble what you can't afford," Cohen says. "You might say: 'I've never tried this form of advertising, but I think it might work. It's £500. I accept I may never get any return on that £500, but I am happy to do that.'"

"If it doesn't work, you've messed up, but you've learned that form of advertising did not work for you. You measure it, and refine your plan for the next time."

WHEN YOU MESS UP, CONDUCT A POST MORTEM

Understanding why a mistake has occurred is crucial to avoiding them in future and making progress, so reviewing what happened and why is an extremely useful exercise.

"Maybe you try implementing a new piece of software in your business and your staff don't like it and your clients hate it and you realise it's not redeemable," Cohen suggests. "When you look at it, is it the wrong piece of software? Did you do the change management well? Did you communicate properly? Did you train people properly on it? The result is that you messed up, but there are all these variables along the way that you can learn from. Is it fundamentally the idea that is a no-go, or was there something or some things that could be changed in order to make it successful?"

"Is it fundamentally the idea that is a no-go, or was there something or some things that could be changed?"

MANAGE YOUR EMOTIONS

Feelings of anxiety and shame are never far away when it comes to mistakes or the prospect of making them. Keeping these in check and focusing on the practical and rational elements of your activities can significantly help in making progress.

"It's about finding where you fall when it comes to risk and reward, and pushing yourself just a little bit so you can grow," says Cohen.

BE KINDER TO YOURSELF

Being realistic with your expectations and not punishing yourself too harshly when errors are made is a key part of messing up well.

"Sometimes you do just mess up and handle a situation badly and it's not redeemable," Cohen notes. "Maybe you're rude to the wrong person and you think about it all day. You just have to live with it and sit with that emotion and that knowledge."

"Does it mean you learned some patience and you're less reactive to people in the future, which might stop you going through that pain? Or do you not care and you don't let it keep you up at night?"

"Sometimes you are going to mess up and you have to not let it stay with you and stop you from doing things. It's part of the human condition. None of us are perfect." ■

When mistakes are made, it's vital to conduct a post mortem to learn lessons, says Lucy Cohen



THE FUTURE IS INTERNATIONAL

AAT is going to increase the global recognition of accounting technicians and raise standards, says AAT CEO Sarah Beale.

I had the pleasure of attending the World Congress of Accountants in Mumbai in November. Between in-person and online, there were nearly 10,000 people in attendance. What became clear, as I spoke with accountancy bodies from across the world, is that the profession is beginning to think of itself as a global one and realise the value accounting technicians can bring.

Around the world, there are countries facing similar problems to the UK in terms of skills shortages and meeting their requirements. Conversely, there are some which have an abundance of potential talent who are looking to find meaningful, productive careers.

Some members have already begun both offshoring and outsourcing activity to overcome skills shortages and grow their businesses. They have had to do their due diligence to gain assurance that they can deliver a consistent quality of service, through qualified, skilled people. AAT has a role to play in helping businesses and employers find individuals with the right level of competence, so they maintain trust, confidence and professional standards. We can increase global awareness of accounting technicians and provide a pathway for students in other countries to reach the standard of our qualification and membership.

What it means for you

For members who are currently using international partners, it's of paramount importance that their clients feel they are receiving the same high standards of service. Establishing AAT globally will mean businesses can access the support they need at the same quality they would expect in the UK. It will also mean that our members' skills are recognised on the global stage, and the term 'accounting technician' will start to resonate as powerfully as it does in the UK.

Offshoring and outsourcing are established practices



“Pursued correctly, the benefits will be significant.”

to deal with the problems of supply and demand. In both industry and the public sector, employers are adopting this option to combat skills shortages. Thankfully, in sectors where the UK has a shortage, markets elsewhere have an abundance.

Botswana is a good example of how partnerships could work to benefit all sides. We have members there, and the Botswanan government is very keen to grow the country's economy. But they don't want AAT to train lots of accounting technicians and encourage them all to go overseas. Equally, not all students want to leave the country to have careers. Careful matching of demand to supply could benefit all parties.

Of course, there is a natural fear that if you create a supply for something in another country, and it's cheaper, then you're threatening your internal market. But it's a question of balance.

Right here, right now, the UK has a shortage in most skills, not just finance. If we want to grow as an economy, we must tap into a new supply of talent.

If accounting technicians get the recognition that chartered accountants do throughout the world, it will mean a new level of possibilities for both members and the organisations employing them. A key part of doing this will be understanding the needs in different countries, their economies and working with partners in those territories.

We are in talks with parties who want to adopt a technician-level qualification to benefit from an entire cohort of talent that hasn't been to university, and AAT is in a unique position to help. It will be a long process, but, pursued correctly, the benefits will be significant. On the other hand, if AAT doesn't accept the responsibility to develop skills internationally, others will attempt to do so. If they cannot foster the necessary skills, they will unleash into the profession people who aren't as good as you are. ■

Sarah Beale MAAT, CEO, AAT

Real world impact

AAT has a bold new strategy to support finance professionals and boost careers into the next decade

WORDS CHRISTIAN KOCH



As the printing presses were rolling with this issue of *AT*, in a dining room, somewhere deep inside the corridors of Westminster, politicians and media guests were hearing of the role accounting technicians play in powering businesses, and about plans to put them on a worldwide stage. They also had the chance to meet some real-life game changers in the form of AAT's Impact Award winners. The mission was to tell influencers ►

“I FOUND MY PATH WITH AAT AND I WANT OTHERS TO FIND THEIRS”

Eve Jones FMAAT – Inspiration Award winner

Eve Jones says “I found my path with AAT, and I want to help others to do so too.” Using her vast experience from working around the world in senior positions, Eve has been tireless in transferring her know-how to members and students through her work with AAT’s Birmingham branch.

Eventually, Eve decided to go even further to pursue her passion, leaving her successful industry career to become a tutor at Birmingham Metropolitan College. When teaching her students, Eve is able to call on the language skills (she speaks five in all) and business acumen that served her so well in her career. This includes serving as company director for a subsidiary of Toyota, initially in France and later the UK. She was heavily involved in setting up and running the business, from recruitment to dealing with government and local officials, locating premises and starting production.

“I encouraged the firm to set up funds for AAT studies and I ensured that the accounting department in our organisation was well qualified.”

Now running AAT’s Birmingham branch, Eve is keen to “pay AAT back”.



“We are looking to broaden our community and the impact they have on a global stage.”

- ▶ about *Securing Future Relevance* – AAT’s blueprint to create a bold and ambitious future for accounting technicians. And it followed hard on the heels of a confident refresh to AAT’s brand, showcasing the message that AAT accountants and finance professionals are ‘real world ready’.

So where is all this leading? Here’s how CEO Sarah Beale MAAT puts it: “We are looking to broaden our community and the impact they have on a global stage. Outside the UK, the contribution of accounting technicians is not well known, therefore the value they can and do bring to employers and economies isn’t well known either.”

But this vision is going to be driven by the AAT community, not pure commercial ambition, or growth for growth’s sake. The community is – and will remain – made up of people like our Impact Award winners (pictured).

“We are so proud of our Impact Award winners – they, and many others in the AAT community, are unsung heroes. They bring to life what our strategic plan is about,” says AAT president Christina Earls. She adds: “Council has agreed AAT’s priorities and strategy to keep accounting technicians relevant. As AAT develops the business plan, we will oversee the process to ensure the interests of those winners – indeed, our whole AAT community and the accounting profession – continue to be well served.”

And what do

those priorities look like? The strategic plan to 2030 will focus on three key themes:

- Keeping the profession relevant
- Driving up professional standards
- Building responsible business

And to bring these themes into action AAT has decided on four key strategies (see graphic), including putting the AAT community at the heart of everything we do, and taking a digital-first approach to delivery.

Impact on public affairs

To achieve the 2030 plan, AAT will ramp up its activity in shaping political and public opinion. “We’re going to start influencing



Christina Earls: Impact Awards winners bring to life what the strategy aims to support

THE THEMES OF FUTURE RELEVANCE

AAT has built its strategic plan to 2030 based on three pillars. These will be delivered through four core strategies. Below are some of the outcomes; read the full strategy online at aat.org.uk/strategy



2030 deliverables include:

- Global recognition for accounting technicians
- New member categories, pathways and propositions
- More employers seeking and benefiting from professional members
- Increased engagement across all levels of AAT’s community
- User-led resources and participation in special interest groups

policy around education and build on the successes we have had to date influencing policy and initiatives impacting the profession. We are going to amplify this activity. As a result, members and the general public will hear much more about the body of people we represent

and the changes we have driven on their behalf,” says Beale.

AAT also wants to hold more sway over employers. Armed with the strapline that AAT produces ‘accountants for the real world’, AAT will be talking more assertively about the role of accounting technicians, ►

“I HAD TO GROW UP IN A DAY”

Joshua Wilson – Triumph Award winner

At the age of 25, Joshua Wilson MAAT AATQB has demonstrated great personal resilience to win the Triumph Award, having lost both parents – his mother to cancer when he was 13, and his father last year to Covid-19 – and found himself caring for himself and his younger brother.

Those circumstances would be hugely challenging for anyone, but despite also managing both borderline personality disorder and ADHD, Joshua managed to not only take care of his father’s funeral arrangements and find somewhere for himself and his brother to live, but also persist with his AAT studies, becoming fully qualified just months after his father had passed away.

Now working as an assistant management accountant for Veolia, Joshua harbours ambitions to become a forensic accountant. He is now doing his ACCA qualification and plans to go on to do a master’s degree in accounting.





“I BUILT OUR FINANCE FUNCTION FROM SCRATCH”

Mark Clayton – Excellence Award winner

Mark Clayton FMAAT embodies many of the characteristics AAT is looking to cultivate, having made a major impact on his business and done so responsibly.

Mark, who is based in Guangdong, China, joined manufacturing and sourcing company C2W in 2007, when it was in its infancy. Since then, it has grown more than thirty-fold, from a £542,000 business to a £17.5m one.

“I had to build the finance function from scratch,” he explains.

Establishing that finance function enabled Mark to take a leadership role at the business quickly, which not only led to career advancement, but also opportunities outside of the business, including with the British Chamber of Commerce in southern China, where he is vice-chairman.

He has also established an NGO that helps children living with autism and underprivileged children in the region.

“I want to give back to the community I live in,” Mark explains. “AAT underpinned the ethical side of it, which helps people trust what we’re doing.”

▶ alongside other accountants. “We want global recognition for technicians so that employers understand they needn’t always have a chartered accountant as the only accountant in the building. [Chartered] is a different skill set serving a very valuable purpose. But on a broad scale and at a practical level, it’s AAT members and AAT’s offer that could fulfil a very productive role for employers.”

Impact for members

Of course, the impact of *Securing Future Relevance* will be felt internally, not just in the wider world. Members will notice

“We want employers to understand... it’s AAT members and AAT’s offer that could fulfil a very productive role for them.”

differences, even though the organisation in many ways we want to feel the same. ‘Change will never be this slow again’ has become a popular saying to reflect the increasingly unpredictable nature of the world. Many things about the profession and the economy could feel different by the end of the decade. AAT’s mission will be to keep members and the profession ahead of the curve.

Earls comments: “We want to look after the careers of our community from beginning to end, from an invoice clerk at Level 2 to a bookkeeper right up to full MAAT status and even CFO material. Their needs will change throughout their journey. That’s why AAT needs to adapt.”

This is where AAT will put the community front and centre. Earls explains: “There are two big themes to community. One is about making sure membership offers the greatest



AAT CEO Sarah Beale wants greater recognition for accounting technicians

value possible – anticipating what the community needs, perhaps before they realise it. The second is providing it in the way they want it, by offering them a chance to influence that decision.”

That might look like a forum for students, peer-to-peer networking for bookkeepers, and CPD covering emerging skill requirements from analytics to leadership. And all, of course, delivered in modern, accessible ways. New membership pathways and designation positions are under development to deliver better opportunities and create a level playing field, as well as increased public trust and confidence. An early example is looking at ways to get unregulated accountants into the AAT fold, balancing

their desire for experience to be recognised against AAT's absolute refusal to create a route that would devalue membership.

Digital first, but not digital only

With an eye on efficiency and sustainability AAT, like any well-run organisation, needs to take advantage of technology and automation. Enter the new 'digital-first' policy. Note, the policy will not mean digital only. "We will assume digital first, then test that assumption to see if that is the right choice at that time," says Beale. "Digital delivery means we don't have to go around the world building offices investing in expensive and fixed infrastructure. It's a much more logical and agile way to expand."

This of course feeds into the Building Responsible Business pillar. However, this theme is not just about sustainability, and certainly not just about jumping on the green bandwagon.

"Responsible business is about doing the right thing for society. That of course means reducing your carbon footprint, such as travelling and printing less. But we are absolutely entrenched in accessibility. Therefore, Building Responsible Business means opening up careers and opportunities to a cohort of society that would otherwise be lost," says Beale.

Building Responsible Business will also involve working hard for better representation for underrepresented groups, including at senior level. AAT has long been passionate about this, but recognises as an organisation it needs to improve too. So, it has chosen to make itself accountable through target setting and voluntary reporting.

When it comes to sustainability, Beale promises, "We will encourage critical thinking in the green agenda. We want our members to challenge appropriately. Rather than say is this the right process

to follow, we want then to ask – is this the right thing to do?"

She notes wryly that a huge proportion of large businesses have signed up to net zero, even though people are still debating how to define and measure it. Bringing together aims and

influence, this is an example of how a forward-looking, future-ready AAT could make a real world impact: "We should have a role in saying, how do we bring this to life in a meaningful way for someone reading that set of accounts and annual report?" ■

"WHEN I SEE PEOPLE STRUGGLING, I HELP"

Adrienne Davis – One to Watch Award winner

Adrienne Davis won the One to Watch Award for the major positive impact she has had on her fellow AAT students and their attainment levels.

Adrienne's talent for teaching was first noted by tutors within weeks of her starting AAT Level 2 at Doncaster College, when she helped her classmates. Her support extended outside of the classroom too, with Adrienne organising study dates after college. It wasn't long before she was invited to work as a teaching assistant every Wednesday.

Today, Adrienne is studying AAT Level 3 alongside her job handling the books for two companies in Doncaster.



"OUR APPRENTICES MEAN SO MUCH"

RSM – Social Impact Award winner

RSM has long been a champion of social mobility and inclusivity. Its apprenticeship schemes are recognised as among the best in the UK.

BREAKING BARRIERS IN MALAYSIA

Sam Woon – Global Champion Award winner

Sam Woon and Systems & Skills Training Concept have been driving up professional standards in Malaysia. They have helped countless people pursue careers in accounting that may not have been available to them because of their race, economic background or disability.

Due to logistical issues, we were unable to get all Impact Awards winners together for photography.

Enticing prospects

AAT members explain how social media has enabled them to effectively build up a waiting list of prospective staff and target their clients

WORDS ANNIE MAKOFF



Social media can sometimes be a volatile environment. Brands and prominent people have had their reputations ruined by ill-thought-out approaches. But, used carefully and wisely, many platforms can be extremely effective business development tools to gain visibility, build engagement, improve sales and even construct a pipeline of prospective hires. We spoke to AAT members who have made good use of social media platforms to help build their businesses. ▶



Rachel Harris has been meticulous in building up her brand online

Fuelling the talent pipeline

SOCIAL MEDIA PLATFORMS

 **INSTAGRAM @ACCOUNTANT_SHE** (8,705 FOLLOWERS)

 **YOUTUBE** (5,867 FOLLOWERS)

 **LINKEDIN** (3,937 FOLLOWERS)

 **TIKTOK** (545 FOLLOWERS)

Rachel Harris MAAT, director of accountancy firms StriveX and accountant_she, has over 600 clients on her books, 25 prospective clients a week and enjoys a 70% conversion rate. There is even a talent pool of potential employees waiting to join her business.

And StriveX, one of the UK's fastest growing accountancy practices has seen 400% growth since it was set up six years ago.

"I have a very strategic approach," Harris explains. "I provide accessible and valuable

content while monetising it behind-the-scenes through sponsorship, brand collaborations or simply by the number of views. It always remains free for the end-user. Being a friendly face, that's at the heart of everything I do."

Harris works with three 'content pillars' – each relating to a different target audience: practice owners, business owners and accounting students. "I rotate my content across these pillars evenly. One week, content will be targeted towards practice owners, the next week it'll be business

owners, then the following week will be accounting students, so every single third of my audience is served every three weeks. Consistency is important – people like it and so do the algorithms."

Harris uses Instagram, TikTok, YouTube, LinkedIn and Facebook where she provides free webinars, advice-led posts and explainer videos to her 20,000 followers across the various channels.

"A lot of what I do is around financial education, providing accessible, approachable content for people who need it, whether they are business owners or just starting out," she explains.

Even the business talent pool – or employee waiting list – is highly strategic. It came about when Harris realised she disliked recruitment due its costly, time-sensitive and stressful nature.

The talent pool solves these problems – potential candidates upload their CV and answer a few questions. When a vacancy comes up, Harris already has a bank of potential employees who already know her business and culture because they already follow her on social media. "People on the waiting list already know about me and understand my brand. So the main question for me is: are they confident and capable enough to deliver?"

As Harris explains, social media has "literally" grown her business: 85% of enquiries come from social media, as do 15% of referrals. "People think social media isn't quantifiable, but it absolutely is," she says. "70% of people I speak to on social media become clients. I think that speaks for itself."



Ria-Jaine Lincoln has positioned herself as a business expert in her chosen niche of hair and beauty

Beauty of rapid growth

SOCIAL MEDIA PLATFORMS

 **INSTAGRAM @RIAJAINE (5,908 FOLLOWERS) AND @THEBEAUTYACCOUNTANT (1,227 FOLLOWERS)**

 **LINKEDIN (2,245 FOLLOWERS)**

 **FACEBOOK RIA-JAINE: BEAUTY BUSINESS ACCOUNTING (906 FOLLOWERS)**

When Ria-Jaine Lincoln, founder of The Beauty Accountant, began supporting businesses in the hair and beauty sector in 2018 after identifying a gap in the market, her initial focus was getting her name out.

Yet Lincoln had inside knowledge of the industry, having worked in a nail salon before setting up her accountancy business. Prior to that, she'd worked at Deloitte.

"I knew Mondays tend to be the day off for hair and beauty businesses so that's when everyone is doing bookkeeping. It

wouldn't work posting tax content on a Friday when businesses are focusing on clients."

Armed with this knowledge, Lincoln threw herself into her social media campaigns, creating regular posts about cash flow, tax and bookkeeping advice and responding to every comment. She even secured a speaking slot at the prestigious Olympia Beauty Show in her first year of business.

During the pandemic, when things started coming together. "I learned about strategy, wordplay, hashtags and engagement. Hair and beauty by its very nature is a

visual industry, so I moved over to Instagram and that's where my focus is," she says. Her business saw a 300% increase – her client base grew from 10 to just under 100 and she was getting 16 to 21 leads a month.

Since then, Lincoln has received a 2020 Covid Hero Award for her support and guidance to business owners during the pandemic, she's been twice listed as one of the top 50 women in accountancy internationally, and she's been a regular columnist for nail magazine *Scratch*.

"All of this is directly attributable to my social media strategy," she explains. "It's been about positioning myself as an expert in my industry, ensuring I'm providing regular, relevant content for my audience."

At any one time, Lincoln has 300 posts ready to go. She uses automated responses on Instagram, negating the need to respond personally to comments, and she repurposes posts that have done well in the past.

And then there's the question of growth. "If you go big, you have to be prepared to have 100 leads in one day." It's why Lincoln now operates under a separate brand, The Beauty Accountant, as a way to gently nudge potential clients towards the brand rather than her, personally. "Clients just wanted to work with me, but that's unsustainable," she admits.

Now, Lincoln's focus is on the client journey and maintaining what she's built up. "With my social media ticking over, I can focus on clients."



OPENING DOORS FOR YOUR BRAND

SOCIAL MEDIA PLATFORMS

 **INSTAGRAM @TODDOORS** (8,355 FOLLOWERS)

 **LINKEDIN** (2,245 FOLLOWERS)

 **FACEBOOK** (6,500 FOLLOWERS)

 **PINTEREST** (1,200 FOLLOWERS)

Personal approach

SOCIAL MEDIA PLATFORMS

 **INSTAGRAM @BUSY BOOKS WESTBURY LTD** (255 FOLLOWERS)

 **FACEBOOK** (532 FOLLOWERS)

 **TWITTER @BUSY BOOKS** (862 FOLLOWERS)

Natasha Penny-Rowe, founder of Westbury-based accountancy firm Busy Books, uses social media to dispel the 'stuffy accountant' image. "We use it to show who we are," she explains.

Although Penny-Rowe does post key tax deadlines and information about business grants predominantly, the content is much chattier. "We post pictures of our pets, pictures of us doing normal, human things," she says.

The no-strategy strategy seems to work. People visit their Facebook page after seeing their posts on local groups or when their content has been shared. Penny-Rowe, who prioritises interacting on social media over the website, says they're getting a 'small handful' of new clients each month as a result, and 80% of enquiries via social media become regular customers.

"We want to show we're humans behind this serious job, with families, hobbies and interests. A huge amount of our clients choose us for this reason."

"Back in the day, we used billboards for advertising – now we use social media," says Farha Jamadar FMAAT, head of finance at Todd Doors, one of the UK's leading suppliers of high-quality timber doors. Todd Doors, which sells predominantly to the higher end of the market, targets the trades sector, including developers and interior designers, as well as consumers, providing both off-the-shelf internal and external doors as well as custom-made, bespoke products.

Jamadar is heavily involved in budgeting and maximisation of the marketing strategy, a big part of which includes social media. "Our social media strategy is focused on brand awareness and engagement. It draws interest, which ultimately drives people to our showrooms. People need to see the doors *in situ*, to experience the look and feel."

Todd Doors uses Facebook, Instagram, Pinterest and YouTube to showcase their products through photographs, short video interviews with industry experts and visual walk-throughs, but it's Instagram and Pinterest that are the biggest drive of sales. According to Jamadar, conversion rates are around 40%.

"Advertising through social media is a much richer experience than other traditional methods," says Jamadar. "We can keep things current and respond to current trends. We post photographs of our

doors in real life with seasonal themes and these get a lot of engagement. In December, the doors are decorated with wreaths and Christmas lights and during Hallowe'en there are autumnal colours and pumpkins on the porch. It's all about aesthetics and showing them off. We often have competitions and promotions and these attract a lot of interest, too."

Jamadar says they tried TV advertising, but found it wasn't as effective as social media. Their selling point is talking directly to customers and engaging with posts. "Most customers want a lot of hand-holding through the process, with a consultation to go through ideas and possibilities. So we try to reflect this approach on social media, by being responsive and on hand." ■



To offshore or not to offshore?

Businesses and accounting firms are offshoring elements of their work to enable more strategic activity. But what are the best conditions to do this, and how do you choose the right partnership?

WORDS STEVE HEMSLEY



There are many reasons why accountancy firms choose to offshore part of their business – but it is not the right move for everyone.

There can be attractive operational and staff cost savings, while companies can stay on top of compliance issues more easily and free up their team's time to focus on more strategic work. They can also access skills they might not have internally.

The potential downsides include a loss of control, worries about brand reputation if mistakes are made, difficulties integrating your team with the contractor's employees, a negative impact on client relationships and understandable security concerns around who has access to sensitive data.

Simon Rowe, director of DGFInco, the outsourcing and offshoring finance arm of accountancy firm Milsted Langdon, says many firms have changed their mindset in recent years.

"In the past, the reasons for offshoring centred around cost and an immediate improvement of the bottom line – it is now a way for businesses to be more flexible," he says.

He adds that with the employment market so tight, many businesses (including accountancy firms) see doing so as the best and sometimes only way to obtain the resources they need to deliver to clients.

Chris Andersen is a licensed insolvency practitioner and accounting expert with www.businessexpert.co.uk. ▶



HOW TO OFFSHORE

1 Be clear about the tasks you can and should outsource

Think about why you want and need to offshore. Is this about saving time and money? To complete tasks that cannot be delivered internally due to a lack of skills? Or difficulty recruiting the talent needed?

2 Do your research

Find out what companies other accountants are using and ask for advice on social media and at networking events. Who would be a good partner for you? Who has a good reputation? It is not just about skills but also about culture fit. Would you like to work with them?

3 Be robust about the qualifications and skills you are looking for

You need to know the company you are using has the qualified staff to deliver the quality you demand and can meet the deadlines you set to avoid delays that could make things busier internally and annoy clients.

4 Offshore small tasks first and consider a trial

Most accountants will be nervous about offshoring work to a third party so once the decision has been taken, start small. This will enable you to assess the quality of work and to get used to managing the relationship. A trial period of two or three months can be beneficial to both parties.

5 Be transparent with your clients

You may think clients do not need to know as long as the quality of the work remains the same. However, clients will have concerns around their data and who exactly is overseeing some of their accounting needs. Be open and communicate what due diligence has taken place and how their data remains secure.

IT'S A 'YES' TO OFFSHORING

Co-founder of Severn Accounting, Ali Jaw FMAAT (pictured), began offshoring at the end of 2022 after spending many months weighing up the benefits and potential difficulties.

The company works with India-based Peakvisory, which was initially given a trial by Severn Accounting with staff working on straightforward bookkeeping. Today they work on clients' accounts, but the final review is still carried out by the UK-based team.

One of the main reasons for choosing to do so was that Severn Accounting was struggling to recruit sufficiently experienced staff in the UK.

"I had been talking to the team in India on social media for several months and I finally took the plunge," says Jaw. "I was a little sceptical at first, so we started with a few days a month."

He adds that data security was a major concern.

The decision was taken that everyone working on behalf of the organisation, including those in

India, should access a UK-based secure server so that client files were protected.

When an accountant does decide to offshore part of their business, clients need to remain confident in the level of service they are getting.

"I was honest and transparent with our clients and told them that some of our work is being subcontracted. One or two were concerned, but I reassured them that no personal data will be

leaving the UK."

Jaw was also worried about how the UK and Indian teams would work together. He involves everyone in regular meetings on Zoom and Teams and there is a messaging group on WhatsApp.

"You need an open mind when outsourcing, and if you embrace the concept it can help you to scale your business. With the right due diligence, you will get the same quality but save money."



“When handling data across borders, look for suppliers who hold internationally recognised standards.”

He says more accountants are choosing offshoring because they need the headspace to focus on strategy and core competencies.

He points out that there are pros and cons to moving work to a third party, particularly if they are based overseas.

“One potential advantage of offshoring compliance is that it can help businesses stay up to date with changing regulations and requirements,” he says. “On the other hand, it also carries risks. It can be difficult for businesses to maintain control over the quality of work being done by an external service

provider, and there may be concerns about data privacy and security.”

It is crucial businesses conduct proper due diligence before signing any contracts. Once the ink has dried, businesses must develop a strong working relationship with their outsourced compliance partner and ensure that clear lines of communication and reporting are in place.

Peter Hucker, head of operations at cloud-based finance software company Xledger UK, says there are many things to consider.

“Any due diligence should not just cover the cyber security credentials of any supplier, but any third parties involved in the handling of their data,” he warns. “When handling data across borders, look for suppliers who hold internationally recognised standards such as ISO 27001 (information and security). This can give organisations comfort that they are working with partners who understand

the importance of keeping their data safe. Organisations collecting personal data should also carefully consider the handling of their data from a GDPR perspective.”

Ultimately, whether or not outsourcing is the right choice will depend on the specific needs and circumstances of the accounting business.

Setting up offshore

Eriona Bajrakurtaj, managing director at London-based Majors Accounts & Co, has successfully offshored parts of her firm’s business, enabling savings but retaining control. Majors set up an office in Sri Lanka in 2021 and now has a team of 12 people in the country working under the Majors brand.

“We used a Sri Lankan recruiter to hire locally and the people we find are well qualified, want to get stuck into the work, want to learn and are very respectful of our clients,” says Bajrakurtaj.

She admits that initially the UK team did feel threatened and worried that the decision to offshore might impact on their jobs, but people are more relaxed about it now and everyone takes part in joint meetings and interacts as one team under one brand.

“Our clients are also aware and they do not mind,” she adds. “Today people can work from anywhere, but there is a time difference. Our Sri Lankan employees start work two hours before the UK and finish two hours earlier. The tip to making offshoring work is to ensure the overseas team is fully integrated and not just given pieces of work.”

IT’S A ‘NO’ TO OFFSHORING

Founder of J Accountancy Jay Wilson MAAT AATQB (pictured) is not a fan of outsourcing, although his firm has benefited from the fallout from other companies that have tried it.

“I take a dim view,” he says. “I understand why people do it considering the skill shortages in the industry, but I worry about the lack of control you have when you hand over work to another company somewhere else in the world.”

Wilson says J Accountancy has gained new clients who were not told by their previous accountant that it was outsourcing, and they felt uneasy about it.

“There has to be transparency and clients need to know who they are dealing with when communicating with their accountant,” he says. “Many clients want their accounts done by the company they

think is doing it – in the UK.”

Team building and company culture is also important to Wilson.

“We allow working from home and flexible hours, but I believe people learn quicker when they are in the same office and can ask questions of their colleagues. If you have five staff in the UK and five in Asia, you effectively have two teams to manage and I don’t like that.”

Nevertheless, he does understand why some companies choose to offshore their work.

“I see the attraction from the money-saving perspective, but I would feel I was losing control and worry that if mistakes were made this would harm our reputation. I like to keep everything under one roof in the UK and train up younger people so we can grow our own team.”

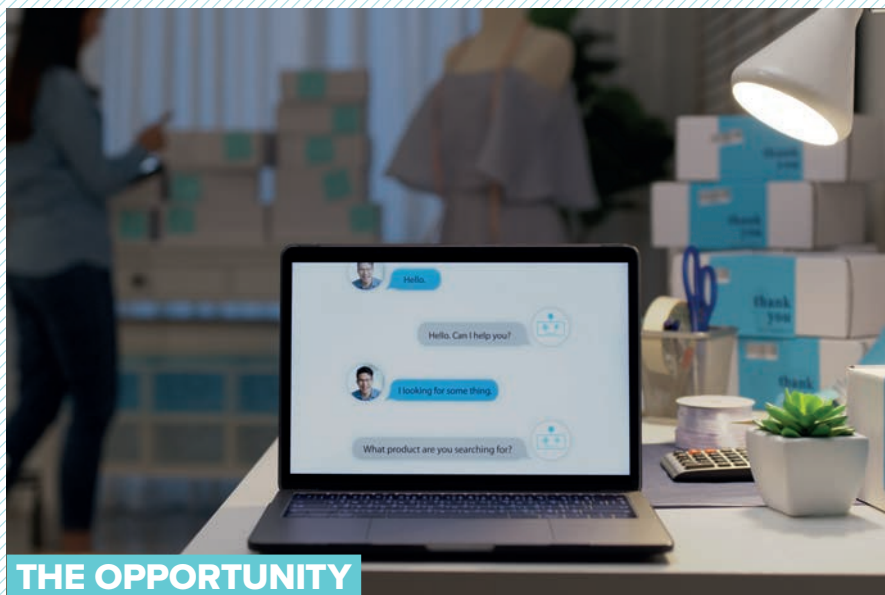
OUTSOURCING VS OFFSHORING

It’s important to remember the distinction between outsourcing and offshoring:

- Outsourcing occurs when a company contracts a specific process out to a third party, finding someone who specialises in whatever needs to be done.
- Offshoring refers to outsourcing work to a contractor in a different country, usually to lower costs or take advantage of greater availability of skilled people or flexibility of workers.



Triage your clients by using chatbots



THE OPPORTUNITY

Increasingly, businesses are finding chatbots can help field inbound enquiries

For accountants and business owners, personally dealing with each new enquiry as they come in from customers, prospective clients and suppliers can become stressful and time-consuming – so a tool to help manage them is appealing.

Even better, one that can manage the simpler requests from clients, filtering out the high-volume, low-complexity tasks, can help hugely in freeing up teams to take on more strategic work.

While chatbots are far from standard issue among accountants, firms are increasingly taking an interest in what

they can offer.

Phil Shohet is a senior consultant at Foulger Underwood. He says that chatbots “essentially fulfil the role of an enquiry service”, but warns there is a “fine balance to be struck between giving too much away and precious little” to prospective customers.

“You need to be sure there’s a reasonable fee at the end, but it’s a way for people to get in touch with an enquiry about one short, sharp job or something more long-term and assigning that to the right team or person,” he adds.

OTHER KEY BENEFITS ARE:

Filtering

A key benefit of chatbots is filtering out the simple issues that can be easily addressed.

“It weeds out the time-wasters,” explains Shohet. “You need to know if an enquiry is serious and worth talking to. In days gone by, firms and institutes used to run enquiry services, but there was a human being at the end of it with access to all sorts of technical books. This is essentially a much more sophisticated version of that, and you’re left with better-quality leads as a result.”

Around the clock

Of course, 24-hour customer care is a significant part of the chatbot’s appeal. This guarantees two very important things for almost all companies: customers with immediate responses and resolutions, and staff focused on more important tasks and without work overload due to excessive consultations.

Future Cloud Solutions founder Francesca Tricario FMAAT trialed a chatbot in her firm in 2021/22.

“We found we could set the hours it was active, which allowed us to monitor it closely,” she says. “It’s something we will come back to, as we felt it was too soon for us and it was underused.”

THE NEXT LEVEL

Turn up the volume

Done well, chatbots can be a hugely effective way to work with your clients. Unfortunately, done poorly, they can be a huge turn-off if your query does not fit into the straitjacket of questions the bot can answer.

Limitations with artificial intelligence and natural language processing aside (if you don't happen upon the exact trigger phrase, the response is rarely useful), it sometimes feels that chatbots have been designed to be as unhelpful as possible.

This, of course, can and does frustrate customers, particularly if they aren't offered the opportunity to speak to a person instead.

However, implemented correctly, there are two things that chatbots enable – a higher volume of work and higher-

value work.

“Putting chatbots in place is going to allow you to focus on areas that add more value,” says Factotum founder Bobby Lane. “We're knee-deep in tax season at the moment. If you have a chatbot linked to your intranet system and it can pull relevant information through and send it in a PDF format, that's going to save administrative time.”

“The benefit for accountants is that it's available 24/7 for someone to access and get certain information,” he adds.

“If you look at a payroll team, for example, one of the things they'll be asked regularly is for copies of payslips and P60s. Being able to automate things that take up administrative time, that are routine tasks, can be quite powerful in terms of the knock-on effects.”



COMMON ISSUES

Not a human

LIMITED ANSWERS

While this is self-evident, it must be borne in mind. A conversational chatbot is not the same as a human agent, and so its selection of answers may be limited, depending on the information it has uploaded. There may be times when its interactions seem robotic.

“Putting chatbots in place is going to allow you to focus on areas to add more value.”

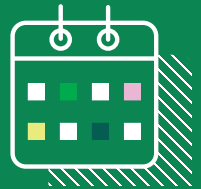
MAINTENANCE

While not an issue per se, chatbots need constant revisions, maintenance and optimisation in terms of their knowledge base and the way they should communicate with customers. The chatbot needs to be fed new and meaningful data and content that can help answer customer questions and queries in order to function properly.





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In January, HMRC announced that routine calls will be answered by text, rather than by a human, in a trial aimed at improving its customer service record.

More than 12 million people are required to complete tax self-assessments online before 31 January, but some are left frustrated by long waits on HMRC's phone lines when trying to get help.

The tax authority confirmed it will send a direct website link by text to some people who want to find their reference number or reset a password. The trial is set to continue until the start of April, and is designed to free up the call handlers for more complex issues.

Text response

HMRC fielded around 170,000 calls in January with simple questions before the self-assessment tax return deadline.

When a taxpayer or agent calls HMRC, a text answer will be triggered

CASE STUDY

HMRC turns to chatbots

based on a customer's reason for calling. Routine requests such as locating a unique tracking taxpayer reference number or registering for HMRC online services will trigger a text response.

Callers will also be given the option to receive an online link or speak to someone to deal with other enquiries such as help filling in their tax return.

Richard West, director of personal tax operations at HMRC, said: "Redirecting these sorts of queries to online services should help customers find the answer more quickly. It also means calls from customers during the current self-assessment peak, whose questions cannot easily be answered online and require help from an adviser, get the support they need." ■



ISTOCK

FUTURE-PROOFING

Have an intelligent chat

The future of chatbots in the profession is potentially very exciting as AI and machine learning develops. Already, the performance of ChatGPT (turn to p30 for more) has made headlines – and even narrowly failed an ICAEW exam.

There will always be a role for humans to sanity-check the work of chatbots, says Bobby Lane, founder of London-based firm Factotum. But, he adds, there is clear scope for some very defined uses "Systems like ChatGPT are going to get clever,"



he explains. "If you look at things like marketing services, they're now going the same way as the accounting profession. The accounting profession looked at routine processing, and historically companies would pay social media agencies to

run their marketing, but now there are AI bots that can create social media content that's exactly on-strategy, on-brand and delivering exactly what it's meant to.

"I think we're going to see huge development in the next five or 10 years, but I think there's still a role for accountants to be the translator of that information into words, strategies and actions that businesses and business owners can take." ■

Chat to the future

As artificial intelligence technology improves, thoughts naturally turn to its potential applications. Thankfully, accountants' jobs are safe. For now...

WORDS CALUM FULLER

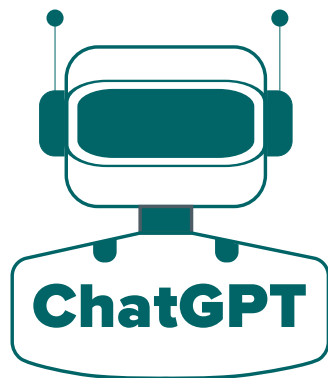
As 2022 drew to a close, headlines were abuzz with talk of an exciting new chatbot, which various commentators have claimed “marks a new era of AI”, with its confident, fluent writing style and natural cadence.

ChatGPT is essentially a turbo-charged chatbot that can provide answers to questions no matter how big or small. It can write essays, poems and even cover letters for job applications (not that you should). It does this by drawing on the vast amount of human knowledge used in building it, with careful guidance from human experts, who helped train and refine its responses.

This, many say, is where the

significant step forward has been made. The initial language model was fine-tuned by feeding the chatbot an enormous number of questions and answers provided by human AI trainers. Then, the programme was asked to produce several different responses to a wide variety of questions, which human experts ranked from best to worst. This human-guided fine-tuning means

“I’ve seen this movie before. If you replace 1995 business web with 2023 AI, many of the same questions are being asked.”



ChatGPT is often extremely adept at interpreting questions, finding the information sought and framing the answer in a natural manner.

AI and accounting

As with many professions, accountants have been exploring how AI and chatbots, including ChatGPT, can be used.

Thus far, AI has been primarily used in accounting to spot patterns. Last year, for example, KPMG invested in AI by partnering with Blue J, which “predicts tax scenario outcomes with 90%+ accuracy”. The programme will “dramatically reduce the time spent searching for and analysing tax legislation and case law”, the Big Four firm said.

When ChatGPT emerged, one accountant, Stuart Cobbe, decided to put it to the test, and ran it through an ICAEW first-stage sample paper.

“You can breathe easy – ChatGPT still fails a first-stage ACA exam,” Cobbe posted on LinkedIn. “And yes, I did spend an hour pasting in questions from an accounting exam paper into ChatGPT.”

Cobbe had spent just under an hour entering questions from a sample exam into the chatbot, then extrapolating its answers back into the online test. ChatGPT got 42%

CHATGPT IN ITS OWN WORDS

on the exam in the end, just short of the 55% pass mark set by ICAEW.

The development of ChatGPT and other similar AI is reminiscent of the early days of the internet, says Gary Turner, co-founder and former managing director of Xero.

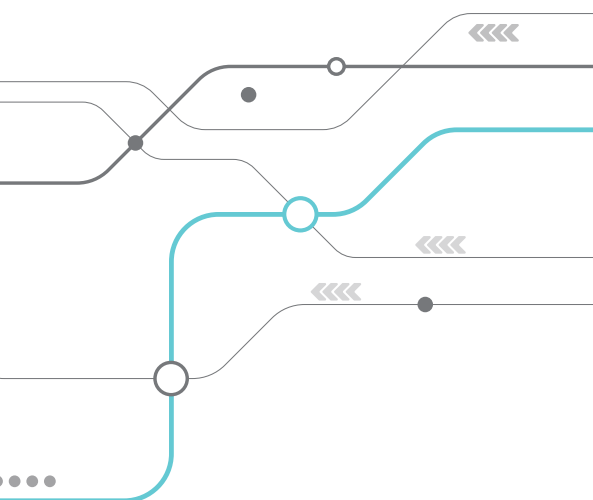
“Lots of people knew in the mid-1990s that the web was big and important, but people hadn’t worked out the use cases for it yet, other than having a website,” Turner says. “That pattern is recognisable here and I’ve seen this movie before. If you replace 1995 business web with 2023 AI, the same questions are being asked.”

For accountants, Turner suggests that, rather than clients interacting directly with super-smart chatbots, it could well be accountants doing so on their behalf. Finance teams within organisations could use chatbots in the same way.

“Imagine on a phone or a video call, the client is describing their query to you in real time, and you have a chatbot listening to what the client is asking. This is enabling you as the practitioner to advise them appropriately, almost as a co-pilot,” Turner says.

“It feels like we’re on the cusp of something huge,” he adds. “The things we eventually use chatbots for in 15 to 20 years will be three or four levels beyond what we’re currently considering.”

SHUTTERSTOCK



Not content with taking others’ words for it, AT went straight to the horse’s mouth. Here’s what ChatGPT had to say when we asked it about accounting and tax matters. Thankfully, it was quite sensible.

AT Hi ChatGPT. Are you able to give tax advice?



ChatGPT: “As a language model, I can provide general information and answer questions about tax laws and regulations, but I am not a licensed tax professional and cannot provide specific advice on how to file taxes or handle specific tax-related situations. It’s always a good idea to consult with a licensed tax professional or accountant when it comes to taxes and financial matters.”

AT If AI gave incorrect tax advice, who is responsible?



ChatGPT: “As AI technology continues to advance, the question of legal responsibility for AI-generated advice and actions is becoming an increasingly important one. In general, the legal responsibility for the consequences of AI-generated advice would depend on the specific circumstances of the case and the laws in question.

“In general, the legal responsibility for the consequences of AI-generated advice would likely fall on the entity that created or deployed the AI system. If a company creates an AI system that provides tax advice to users, and the advice turns out to be

incorrect, the company would likely be held responsible for any negative consequences that result from the use of that advice.”

AT If AI is able to provide tax advice in the future, will there still be a role for humans?



ChatGPT: “Even if AI becomes capable of providing accurate and comprehensive tax advice in the future, there will likely still be a role for human professionals in the field of accounting and tax.

“AI systems can be used to automate repetitive tasks, such as data entry and analysis, but human professionals will still be needed to interpret and apply the results of those tasks. This includes providing context-specific advice and making judgement calls based on the unique circumstances of each case. Humans will also be needed to oversee the development, deployment and maintenance of AI systems to ensure they are operating as intended.

“Additionally, AI can be a powerful tool to help human professionals to work more efficiently and effectively, but it is not able to replace the human touch and emotional intelligence that is needed in some aspects of the job.

“It’s also worth noting that laws and regulations around taxes and financial matters are constantly changing, and AI systems would need to be continuously updated to keep up with those changes. Human professionals will be needed to stay current on the latest laws and regulations and ensure the AI is providing accurate and up-to-date advice.”

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UNDERSTANDING CORPORATION TAX

After last year's political instability, you could be forgiven for being confused about the UK's corporate tax policy. Grant Thornton's Abby Agopian explains where we are



“Which rate of Corporation Tax companies are subject to is determined by their ‘augmented profits.’”

From 1 April 2023, the main rate of Corporation Tax will increase by six percentage points from 19% to 25%, ending the downward trajectory in the main rate since it was last raised in 1974.

The rate increase has been on the cards for some time: it was first announced at Spring Budget 2021 and has been enshrined in law since June 2021 as part of the Finance Act 2021.

For a brief moment in early autumn 2022 it looked like

the UK Corporation Tax rate might not rise after all when the debate over tax policy, and the role of a low tax environment in growing the economy, played out at the forefront of politics. In September 2022, Kwasi Kwarteng announced the “biggest package of tax cuts in generations”, including that the main rate of Corporation Tax would remain at 19%. The reaction was mixed, but ultimately the package of measures, announced without an accompanying forecast

from the Office for Budget Responsibility sent the markets into a tailspin. In efforts to “reassure the markets of fiscal discipline” Liz Truss announced yet another U-turn, confirming that the 25% rate would come in as planned from 1 April 2023.



Which Corporation Tax rate to apply from 1 April 2023

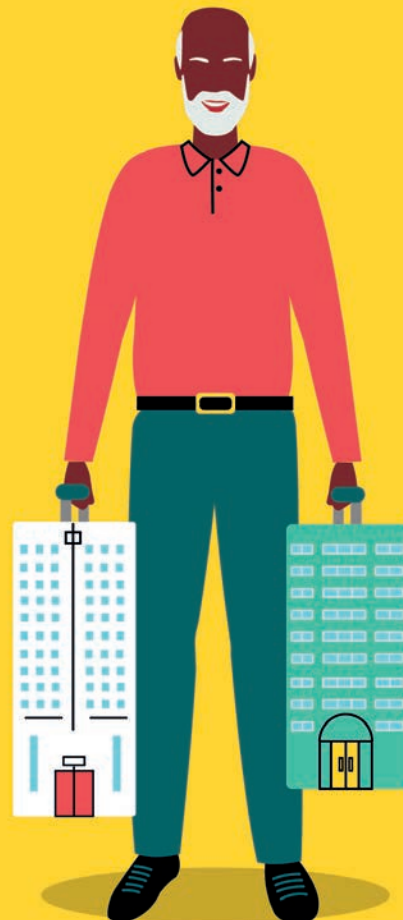
From 1 April 2023, the UK will have two rates of Corporation Tax for the majority of businesses: a main rate of 25% and a small profits rate of 19%, alongside the (re-)introduction of marginal relief.

Which rate of Corporation Tax companies are subject to is

WHAT IS AN ASSOCIATED COMPANY?

Broadly, where one company has control of the other, or both companies are under the control of the same person or persons, at that time, or at any other time within the accounting period, they are treated as associated companies. Where a company is resident for tax purposes is irrelevant, though there are some specific exclusions, including where the company meets the definition of not carrying on a trade or business throughout the accounting period.

The associated companies rules are complex and the meaning of control, alongside the specific exclusions, within the associated companies rules may mean it is not always equal to the number of group companies, so a careful review is required.




determined by their 'augmented profits'. This is broadly Total Taxable Profits plus exempt distributions of a qualifying kind, though it is important to note that it will remain the company's total taxable profits which are subject to Corporation Tax.

Those companies with augmented profits over £250,000 will be subject to the 25% main rate of Corporation Tax. The small profits rate of 19% will apply for companies with augmented profits of £50,000 or less – with the exception of close-investment holding companies and non-resident companies chargeable to Corporation Tax via a permanent establishment. The government estimates that while the main rate rise is expected to bring in £18bn a year, the introduction of the small profits rate will mean that the majority (70%) of businesses will see no increase in the rate of Corporation Tax they pay.

For companies with augmented profits between £50,000 to £250,000, while they are subject to the main rate of Corporation Tax, they are also eligible for marginal relief, which ensures gradual increase in the CT rate between the lower and upper limit, reducing the impact of a cliff-edge – and a potential steep increase in Corporation Tax. A company's upper and lower profit limits must be proportionally reduced in various scenarios, including for short accounting periods and by the number of associated companies.

What needs to be borne in mind on transition?

For accounting periods straddling 1 April 2023, it is only profits after 1 April 2023 that are subject to the new rules and the period post 1 April is deemed to be a separate accounting period for these purposes. 

HOW IS MARGINAL RELIEF CALCULATED?

- Many will have put to the back of their minds the marginal relief calculation – or even never have done one before – given there has not been a small profits rate in place since 31 March 2015. Though with the resurgence of marginal relief, for those businesses whose augmented profits fall between the lower and upper limits they will need to become familiar with it (again!). Helpfully, HMRC have introduced a marginal relief calculator.

- For those businesses with augmented profits between the lower and upper limits Corporation Tax is charged at the main rate on Total Taxable Profits and it subsequently reduced by marginal relief is calculated as:

$$F \times (U - A) \times N \div A$$

Where;

F = the standard fraction (for FY23/24 this will be 3/200)

U = the upper limit

A = the amount of augmented profits of the accounting period

N = the amount of taxable total profits

- As an example, for a standalone company with a 31 March 2024 year end, Total Taxable Profits of £120,000 and Augmented Profits of £150,000 (as it receives £30,000 of non-group dividends), the amount of marginal relief would be calculated as follows;

			Total Taxable Profits	
$\frac{3}{200}$	x	$(250,000 - 150,000)$	x	$\frac{£120,000}{£150,000} = £1,200$
Standard Fraction		Upper Limit	Augmented Profits	Marginal Relief

- The corresponding Corporation Tax charge in this scenario would be calculated as follows:

$(120,000 \times 25\%)$	-	1,200	=	£28,800
Total taxable profits	Main CT rate	Marginal relief	Corporation tax charge	

- In summary, from 1 April 2023 a number of companies are expected to have higher Corporation Tax bills and there will be a number of additional steps that need to be considered after a company's Total Taxable Profits have been calculated. Further detail can be found in the newly published HMRC guidance CTM03900 entitled *Corporation Tax: small profits rate: financial year 2023 onwards*.

Get it right: proposed FRC's changes to UK and Ireland GAAP

As the FRC considers updates to UK and Ireland GAAP, Steve Collings considers their potential impact on lease accounting and revenue recognition

WORDS STEVE COLLINGS ILLUSTRATION NICK LOWNDES

On 15 December 2022, the Financial Reporting Council (FRC) issued *FRED 82 Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review*. This 346-page document contains some significant proposals for change following the Requests for Views phase which ended on 31 October 2021. Comments on FRED 82 are open until 30 April 2023. All interested

parties are encouraged to submit their comments on the proposals by email to ukfrsperiodicreview@frc.org.uk.

As many members who attended AAT's Future Finance conference last year will know, there were some potential changes that I hoped would not feature in this periodic review. So, I was pleased the FRC did not propose amendments to *FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland*, to reflect the expected credit loss model from *IFRS 9*

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Financial Instruments in this periodic review. However, the FRC does plan to reconsider this plan in due course.

Many of the proposed changes to UK and Ireland GAAP are editorial in nature or clarify existing requirements.

However, there are some notable proposals that will affect recognition and measurement requirements, so will have a direct impact on the financial statements. In this article, I have picked out lease accounting and revenue recognition to examine in more detail as I feel these are the issues which have been talked about the most where this periodic review is concerned. Future articles will examine other proposals over the course of this year.




ON-BALANCE SHEET LEASE ACCOUNTING

As expected, the FRC proposes to change the lease accounting requirements in *FRS 102*. There are no equivalent changes proposed in this area for *FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime*. The proposed changes are intended to align *FRS 102* to *IFRS 16 Leases*.

Essentially, the vast majority of leases for a lessee will be reported on-balance sheet. A short-term lease is a lease which, at the commencement date, has a lease term of 12 months or less. Draft para 20.9 confirms that the



The simplifications proposed in FRS 102, Section 20 are as follows:

Property value	IFRS 16	FRS 102 simplification
 <p>Discount rate</p>	IFRS 16 requires a lessee to use the interest rate implicit in a lease. If that is not readily determinable, the lessee's incremental borrowing rate is used to discount lease payments to present value.	The lessee's obtainable borrowing rate can be used as an alternative to the incremental borrowing rate. This is expected to be easier to determine so is deemed to represent a proportionate simplification. If, in exceptional cases, the lessee's incremental borrowing rate cannot be readily determined, the lessee can apply a publicly available rate.
 <p>Determining a revised discount rate</p>	A lessee must revise the discount rate when there is a modification that is not accounted for as a separate lease.	FRED 82 proposes to reduce the number of situations in which a lease modification requires a revised discount rate.
 <p>Practical expedients for lease agreements with multiple components</p>	Lease agreements may contain multiple components and both lessors and lessees must identify and separate lease and non-lease components in applying IFRS 16.	There are additional practical expedients proposed for contracts containing multiple components (for example, draft para 20.33).
 <p>Sale and leaseback transactions</p>	The approach taken by IFRS 16 where a sale and leaseback transaction is concerned is complex and there will often be a need to consider whether, in fact, the transfer qualifies as a sale in accordance with IFRS 15 Revenue from Contracts with Customers.	There is a simpler approach proposed for dealing with sale and leaseback transactions in FRED 82, which is broadly consistent with the approach currently in FRS 102. There is a requirement to consider if the transfer of an asset by the seller-lessee satisfies the requirements of FRS 102, draft Section 23 Revenue from Contracts with Customers or not as this affects the treatment
 <p>Variable lease payments</p>	Changes in lease payments arising from a change in an index or rate would trigger recalculation of the lease liability.	Draft para 20.74 provides an option for the lessee to choose not to remeasure the lease liability where there has been such a change. Where this is the case, the difference between the lease payments included in the lease liability at the commencement date and the revised lease payments is recognised in profit or loss in the period to which each payment relates (see also draft para 20.58).

value of an underlying asset is based on the value of the asset at the start of the lease. Draft para 20.11 cites the following examples of underlying assets that would typically be of low value:

- tablet computers;
- personal computers;
- home printers and photocopiers;
- mobile phones;

- desk phones;
- televisions;
- small items of furniture; and
- portable power tools.

The proposed accounting treatments are based on IFRS 16, but with simplifications. It should be noted that the proposed simplifications in FRS 102 are optional.

REVENUE

The title of FRS 102, Section 23 is proposed for change from Revenue to Revenue from Contracts with Customers. Section 23 has been completely rewritten in FRED 82 and reflects a simplified version of IFRS 15 Revenue from Contracts with Customers. Notably, the 'five-step model'

For smaller entities applying FRS 102, Section 1A



Following the UK's departure from the EU, the FRC are now able to require more disclosure from small companies in the UK. Previously, the FRC were constrained by the requirements of the EU Accounting Directive, but this is no longer the case. However, this does remain the case for entities in the Republic of Ireland so FRS 102, Section 1A, Appendix D Disclosure requirements for small entities in the Republic of Ireland remains unchanged.

Some of the notable changes proposed in FRED 82 to FRS 102, Section 1A, Appendix C Disclosure requirements for small entities in the UK include:

- A requirement to make an explicit and unreserved statement of compliance with FRS 102, including Section 1A. This is an encouraged disclosure per FRS 102, para 1AE.1(a).
- Mandatory going concern disclosures to comply with draft para 3.8A, which states: When an entity prepares financial statements on a going concern basis, it shall disclose that fact, together with confirmation that it has considered information about the future as set out in paragraph 3.8. It shall also disclose any significant judgements made in assessing the entity's ability to continue as a going concern. In addition, the small entity will be required to provide

disclosures relating to material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern as set out in para 3.9. This requirement is an encouraged disclosure per FRS 102, para 1AE.1(c).

- There are additional disclosures proposed in respect of leasing arrangements including short-term leases, leases of low-value assets and variable lease payments; provisions and contingencies; share-based payment transactions; and promises in contracts with customers.
- Disclosures in respect of deferred tax.
- Dividends declared and paid or payable during the period. This is an encouraged disclosure per FRS 102, para 1AE.1(d).
- Transition information on first-time adoption of FRS 102. This is an encouraged disclosure per FRS 102, para 1AE.1(e).

approach to recognising revenue as follows:

- Step 1 – Identify the contract(s) with a customer
- Step 2 – Identify the promises in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the promises in the contract
- Step 5 – Recognise revenue when the entity satisfies a promise. 'Promise' is defined as an obligation to transfer a distinct good or service.

While many of the requirements in proposed Section 23 are consistent with the IASB's Exposure Draft of the third edition of IFRS for SMEs, there are some FRED 82-specific amendments to permit entities to use an accounting policy for revenue which meets the requirements of both FRS 102 and IFRS 15 as follows:

- The proposals require an entity to account for a warranty as a separate promise when the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. This applies even if the warranty is insignificant to the contract.
- FRED 82 proposes to allow an entity to account for an option to provide a customer with a material right as a separate promise when the effect of doing so is insignificant to the accounting of the contract.
- There is a proposal to require refund liabilities to be measured based on amounts of consideration received which are not included in the transaction price, where such amounts are determined by considering the requirement to constrain estimates of variable consideration. ■

DISCIPLINARY NEWS

Allegations of misconduct against AAT members are investigated by the Professional Standards team, using AAT's disciplinary process. Please note: the following is only a summary; full details are published www.aat.org.uk/about-aat/professional-standards/disciplinary-processes-and-tribunals/disciplinary-outcomes

All sanctions are determined in line with AAT's Indicative Sanctions Guidance and reflect the particular circumstances and available evidence present in each case. All allegations of misconduct were valid at time of publication.

Amy West (20225264) entered into an Individual Voluntary Arrangement (IVA) and failed to notify AAT within 30 days. She was reprimanded. The reprimand will remain live on Miss West's record for 24 months.

Andy Eager (20111417) provided self-employed accountancy services to the public without a licence. He was fined £312, reprimanded and warned. The reprimand will remain live on Mr Eager's record for 12 months.

Christopher Caine (44502) committed multiple breaches of the Money Laundering Regulations (MLR) and failed to have liability insurance compliant with AAT's Professional Indemnity Insurance (PII) policy. He was fined £2,500, reprimanded and warned. The reprimand will remain live on Mr Caine's record for 24 months.

Christopher Cheeney (294545) committed multiple breaches of the MLR, failed to have in place a continuity of practice agreement in full compliance with AAT's Continuity of Practice policy, provided company secretarial services whilst not licensed to do so and provided independent examination services whilst not licensed to do so. He was fined £2,300, reprimanded and warned. The reprimand will remain live on Mr Cheeney's record for 24 months. Mr Cheeney was also deemed ineligible to hold AAT fellow membership status whilst the reprimand is live.

David Green (10346919) committed multiple breaches of the MLR; failed

to hold monies on behalf of one or more clients in full compliance with AAT's Clients' Money policy; provided independent examination services whilst not licensed to do so; failed to provide services to a client in accordance with relevant accounting standards and statutory requirements; and failed to issue a letter of engagement to one or more clients in full compliance with AAT's Client Care policy. He was fined £2,000, reprimanded and warned. The reprimand will remain live on Mr Green's record for 24 months.

Jesue Nwaha (10323779) committed multiple breaches of the MLR. He was fined £1,000 and reprimanded. The reprimand will remain live on Mr Nwaha's record for 24 months.


Karen Birks (171785) committed multiple breaches of the MLR; failed to hold sufficient PII cover; failed to comply with AAT's Clients' Money policy; failed to issue any – or any adequate – letters of engagement to one or more clients; and provided company secretarial services and computerised accountancy services outside of her licence. She was fined £1,000 and reprimanded. The reprimand will remain live on Mrs Birks's record for 24 months.

Maureen Bennett (219276) provided self-employed accountancy services to the public without a licence and without appropriate Anti Money Laundering (AML) supervision; did not act responsibly in accordance with the requirements of an assignment, carefully and thoroughly, and did not resolve issues concerning the alleged incorrect filling of a client's accounts; and failed to hand over information to an incoming accountant upon request in a timely manner. She was expelled from membership of AAT for 60 months.

Sonia Booth (126490) committed multiple breaches of the MLR and provided company secretarial services whilst not licensed to do so. She was fined £1,500, reprimanded and warned. The reprimand will remain live on Miss Booth's record for 12 months.

Tejinder Gawera (234541) committed multiple breaches of the MLR, failed to maintain the required level of PII as set out in AAT's Professional Indemnity Insurance policy and provided company secretarial services and capital gains tax services whilst not licensed to do so. He was fined £3,500, reprimanded and warned. The reprimand will remain live on Mr Gawera's record for 24 months. Mr Gawera was also deemed ineligible to hold AAT fellow membership status whilst the reprimand is live.

Terry Prosser (117566) committed multiple breaches of the MLR and failed to issue any – or any adequate – letters of engagement to one or more clients. He was fined £2,000 and reprimanded. The reprimand will remain live on Mr Prosser's record for 24 months.

Victoria Ross (10031016) committed multiple breaches of the MLR; failed to have sufficient PII cover; failed to comply with AAT's Clients' Money policy; failed to issue any or any adequate letters of engagement to one or more clients; and provided company secretarial services and business income tax services outside the scope of her licence. She was fined £2,000 and reprimanded. The reprimand will remain live on Mrs Ross's record for 36 months. 

For more information on AAT's licence requirements, visit aat.org.uk/about-aat/professional-standards/aat-licensing

Tax Q&A: Tax on Enveloped Dwellings

More commonly called ‘ATED’ for short, Robert Salter goes over the intricacies of this property tax that many businesses face

WORDS ROBERT SALTER, DIRECTOR, BLICK ROTHENBERG

Q So, let’s take it from the top. What is ATED?

ATED is the tax charge which arises on properties which are owned by companies, partnerships (if there is at least one corporate member) or alternative ‘investment vehicles’ (e.g. unit trusts Open-Ended Investment Companies (OEICs)). As such, properties which are directly owned by individuals are not liable to the ATED reporting obligations or tax charge. Charitable companies and public bodies would, however, be exempt from ATED.

ATED was introduced in 2013 and is designed to capture ‘high-value’ properties – which for ATED means properties with a valuation of at least £500,000.

When assessing the value of a property, as a standard, one needs to use either:

a) The valuation of the property based on the standard valuation date (so 1st April 2022 for properties which were purchased before this date) for 2022/23 ATED declarations. This value is then subject to automatic

‘revaluation’ every five years (so April 2027, for example, is the next revaluation date); or

b) The valuation of the property on the date it was purchased (if the property was acquired after the standard valuation date). In addition, if there has been a partial sale of the property, one would need to use

c) the value at the transaction date rather than the value given by (a) above.

Q Why was ATED introduced?

ATED was introduced to – in effect – counter tax avoidance associated with the purchasing (and specifically selling) of property through corporate wrappers (e.g. with regard to Stamp Duty Land Tax).

Q How does it work?

The system is – as with much of the UK tax system – self-assessment based. As such, it is the obligation of the company or alternative investment vehicle, for example, or in effect the administrators, shareholders or beneficiaries of such arrangements to ensure

that the ATED is completed each year on the correct basis. As with other UK tax declarations, penalties and interest charges arise for late or incorrect filings.

It should also be noted that a separate ATED returns are needed for each relevant property which is owned by a company – i.e. returns won’t cover the cumulative properties owned by the company or other investment vehicle.

Q So what is the ATED tax liability?

As one would expect, the ATED liability depends upon the value of the property. The charges for the 2022/23 and 2023/24 tax years are summarised below.

Q What is the ATED filing process and deadlines?

The ATED ‘tax year’ runs from 1 April to 31 March. As such, standard ATED declarations for the 2023/24 UK tax year need to be made by 30 April 2023 and the tax due should also be paid by 30 April. As such, with ATED, one is – in broad terms – paying the tax due ‘in advance’ rather than following the completion of the relevant tax year.

If, however, a property is purchased during the tax year (and liable to the ATED



Property value	2022/23	2023/24
£500k – £1m	£3,800	£4,150
£1m – £2m	£7,700	£8,450
£2m – £5m	£26,050	£28,650
£5m – £10m	£60,900	£67,050
£10m – £20m	£122,250	£134,550
£20m+	£244,750	£269,450

Uncertain property values

Where a property’s value is ‘uncertain’ – that is, it could genuinely be within 10% of one of the relevant valuation thresholds – it may be possible to get a formal valuation agreed with HMRC in advance.



NICK LOWNDES

charge), the ATED declaration would need to be reported and the ATED taxes paid within 30 days of the property being purchased. This 30-day extension is increased to 90 days, where the property is a newly built property.

Q Are there any reliefs from the ATED charge?

The good news to this question is ‘yes’ – one can get relief from the ATED charge in specific situations. However, even where relief is available for the company or alternative ownership wrapper, one needs to note that the relief specifically needs to be claimed – via the ATED return – and is not automatically available.

Available reliefs are targeted primarily at those companies which are – in simple terms – property-related business. So, for example, businesses which are directly involved in the letting of property, development or trading of property can subject to specific qualifying criteria be exempt from the ATED charge. For a property letting business, for

“ATED was introduced to – in effect – counter tax avoidance associated with the purchasing (and specifically selling) of property through corporate wrappers.”

example, this would require the letting of property to independent businesses on a fully commercial basis – so a business which simply lends property to other group businesses would not satisfy this criteria.

Similarly, relief can be available for banks or similar financial institutions which have acquired property as a consequence of their core financing business activities. However, care should be taken when assessing whether a company which is liable to ATED does meet the full T&Cs which are laid down for these various reliefs, as the regulations are complex and specialist advice may be needed on occasion.

Q What happens if the property is sold during the year? Or if the property starts to be used in a property-related business? Is it possible to reclaim ATED payments?

The good news is that yes, one can claim tax rebates in the above circumstances. However, tax advisers should note that there is quite a ‘tight window’ for submitting amended ATED declarations – at least compared to the deadlines which apply to many other UK taxes. Specifically, one has 12 months from the end of the relevant period to submit an amended ATED tax return, so for the April 2022–March 2023 ATED return, one would have until 31 March 2023 to make the amended declaration and claim any tax rebate/relief which is available.

Q So what should an adviser recommend to a company owning UK property (or a client looking to acquire UK property via a company)?

In practice, ATED is a specialist area of tax and advisers should therefore ensure that they are fully *au fait* with the detailed regulations before they get involved in providing advice in this area. Moreover, as with all areas of tax work, it is important to remember that the advice should not just be ‘about the tax’ – the wider interests, aspirations and expectations of the client need to also be considered as part of the overall advice which is provided.

For example, while ATED is designed to ‘target’ those who purchase UK property as a way of avoiding various UK taxes, the reality is that if someone is looking to start a property-related business, acquiring properties via a company can still be a good option. ■

Ditching Help to Grow: Digital will hurt SMEs



AAT believes the government is wrong to close Help to Grow and asks: does it have a better idea?

WORDS ADAM HARPER, DIRECTOR OF PROFESSIONAL STANDARDS AND POLICY, AAT

Amid the chaotic pre-Christmas rush of strikes and snow, it was easy to miss the UK government's quiet announcement of its decision to scrap its own Help to Grow: Digital scheme.

Citing a lack of interest among the community it was designed to help, BEIS says the scheme will be wound down early in 2023. It's a decision that has both short- and long-term repercussions for the UK's SMEs – none of them good.

First, some background. Help to Grow: Digital was originally devised as a programme for small and medium-sized businesses to access free, impartial online support about how digital technology can boost their business's performance. Under the scheme, eligible businesses were supposed to access a discount of up to 50% towards the costs of buying approved software, worth up to £5,000.

We have been active supporters of the Help to Grow agenda and felt that its digital iteration was absolutely critical. The principle behind the scheme, we felt, was right in that its aim was to offer a user-friendly and potentially effective way of equipping small businesses in particular with vital support to digitise their systems and processes. We did,

however, have concerns about the way it was structured.

Shortcomings in implementation

We had a number of concerns from the off, and we organised and sent a joint letter to the small business minister outlining these concerns in February 2022.

First, the eligibility criteria were too restrictive, resulting in approximately 90% of small businesses being excluded, the software product range too narrow, and the range of costs that the available funding was allowed to cover needed to be increased; consequently there was concern that the scheme would be seriously undersubscribed among the very constituency it was aimed at.

Another key concern we had was around the scheme's promotion among the business community. We reiterated this concern when the government eventually announced changes to the scheme on 25 July 2022, if Help to Grow: Digital wasn't sufficiently promoted, then it was



always likely to run the risk of falling flat.

So, almost a year later and here we are: the lack of promotional resource, combined with only giving the scheme four months to pick up since the changes to the eligibility requirements were announced, have ended in a predictable failure. In announcing the winding up of the scheme, the government says Help to Grow: Digital fell short of its stated goal of 'up to 100,000' small businesses signing up. The seeds of this failure were sown early on.

Government mistakes

The government didn't take the opportunity to engage with those that could have helped to design the scheme, including professional bodies, the likes of the FSB and small businesses themselves. There was, for us, a real sense that the scheme was first designed and only then a strategy to promote and apply it developed, rather than being clear on the problem and then developing a solution to address it properly.

It could have been so different. While no government scheme can address such a big issue all on its own, a well-designed and targeted scheme can make enormous impact. It's a shame that Help to Grow: Digital got so little help to grow from those designing and promoting it. ■

“We have been active supporters of the Help to Grow agenda and felt that its digital iteration was absolutely critical.”

AAT BRANCHES

**JOY HARRISON,
CHAIRPERSON,
BRISTOL BRANCH**



Tell us about the Bristol branch...

“We’re one of the oldest branches and one of the most successful branches in terms of attendances. That must be to do with the topics we choose, the quality of the speakers and, in more recent years, the fact we have a fantastic venue that’s easily accessible to members.

“We also collaborate with and hold joint events with other branches and other accountancy professional bodies, which gives us more reach and allows us to maximise resources.”



What are the challenges your branch is facing?

“We’d like to be get back to the numbers we were getting pre-Covid. We also need new committee members. We normally have quite a big committee, but through age or long-term service, those numbers are down and we’re actively looking for new committee members.”



What are you hearing from members?

“Members tend to want to discuss core topics like tax, topics in the news, other accounting areas such as payroll and charities and some more unusual areas too.”



A chance to get to know AAT’s branches better, along with AAT’s consultation responses on behalf of members

The Treasury has published a consultation asking for views on a simplified, single R&D (research and development) tax relief scheme. This would effectively merge the current research and development expenditure credit (RDEC) and SME schemes.

While the consultation notes that a final decision on whether to merge the schemes will be taken at a future fiscal event, the document appears to favour a scheme that more closely aligns with the above the line credit scheme offered by RDEC.

It also wants to explore additional targeted support for certain types of R&D or more R&D intensive companies. If implemented, the government wants the new scheme in place for 2024-25. The deadline for submissions is 13 March 2023.

AAT has been extensively quoted in a report published at the end of January by the House of Lords Economic Affairs Finance Bill Sub-Committee, which scrutinised proposed legislative changes to combat abuse of the current R&D tax relief scheme.

Adam Harper, director of professional standards and policy,

gave oral evidence last year to the committee, and both he and AAT’s written evidence are quoted several times on the complexity of the scheme, the lack of awareness among SMEs and the need to improve guidance from HMRC.

The committee was supportive of AAT’s position, recommending that improvements needed to be made to HMRC’s compliance capability as well as to its support and guidance for business to reduce fraud and error. The committee also joined AAT in welcoming the extension of the range of qualifying expenditure for relief to include data and cloud computing costs.

AAT responds to government and parliamentary consultations across the UK to ensure AAT members views are promoted and their interests protected.

Please contact jack.withrington@aat.org.uk if you would like to contribute your thoughts to any of the consultations below.

Details of the most recent consultation responses follow below but more can be found online at: aat.org.uk/about-aat/aat-policy-work

NEED TO KNOW

One-stop shop for the most important recent developments for AAT members



AAT AWARDED SERVICEMARK ACCREDITATION

AAT has been recognised for its achievement in customer service by being awarded the prestigious ServiceMark accreditation from the Institute of Customer Service (ICS), the UK’s independent professional customer service body.

ServiceMark is awarded based on customer satisfaction feedback and an assessment of employee engagement with an organisation’s customer service strategy. It highlights an organisation’s commitment to upholding high standards in customer service and helps organisations understand how effective their customer service strategy is, and identifies areas for improvement. AAT will now hold the ServiceMark accreditation for three years, with a reassessment due to take place in late 2025, subject to meeting the ICS’s requirements.

Majority of public sector audits not signed off

Only 12% of audits of public sector bodies and local councils were completed by the November deadline as auditor shortages persist.

More than a third (35%) of local government bodies were more than a year behind with publishing audited accounts for 2020-21, highlighting the untenable situation where local accountability cannot be scrutinised.

Auditors signed off on only 12% of local government bodies’ 2021-22 financial statements by the deadline of 30 November 2022, the National Audit Office (NAO) reported, with more than 600 audits overdue.

“The Department for Levelling Up, Housing and Communities must continue working with the FRC and other key stakeholders to secure



the timely production of audited accounts for local authorities,” said Gareth Davies, head of the NAO.

“It is essential to transparency that the timeliness of local auditor reporting improves and does so quickly.”

MTD FOR ITSA PUSHED BACK

HMRC has confirmed that the phased introduction of Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) has been delayed until 2026.

AT’s January/February edition included a piece titled ‘Compliance Roadmap for 2023’, which included the previous April 2024 effective date. HMRC announced the delay on 20 December, and unfortunately our issue was printed before this date. AAT informed members of the change through the weekly newsletter and online articles. We are sorry for any confusion the printed details caused.

Full Disclosure

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accountant
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Accounting for style

Since qualifying with AAT, Rasa Adomaitytė has brought together her twin passions for finance and fashion, stepping up into her current role with an online clothing retail business

WORDS EMMA MONK



Rasa Adomaitytė is living proof that fashion and finance go well together. After completing her AAT studies, her retail background, along with her AAT qualification, helped her work her way up to her current role as a financial accountant for online fashion retail business, Braveheart International.

“I used to work in a retail store as a head cashier,” Adomaitytė explains. “I was introduced to AAT by my store manager – at that time, one of her friends had completed AAT Level 3 and got his first job in accounting as a credit controller. After learning more about AAT, I felt that it might be the right career path for me. Not long after that, I signed up for AAT Level 2.”

Finding the right fit

Soon enough, Adomaitytė had completed her AAT studies and had gained experience as a sales ledger clerk. She turned her attention to moving into the fashion industry and accepted an accounts assistant role with well-known online luxury retailer Net-a-Porter.

“It was such an amazing experience,” she says. “I worked in a very fast-paced environment with constant changes. My main responsibilities were filing various tax returns and I was also involved in a number of other projects. I was very fortunate

“Because we’re a start-up company, many internal controls need to be implemented so that everything runs smoothly.”

because the company offered me study support, so I started to study ACCA.”

Overcoming challenges

Adomaitytė says that the biggest challenge she has faced in her career so far has been believing in herself.

“Especially when mistakes happen,” she says. “You always feel bad about making them. I was always very lucky to have an amazing management team who taught me so much and always supported me.”

A new job search can be challenging, too, she notes: “You put lots of effort into preparing for an interview and learning about the company – you may even have a second interview and then get disappointed. I’ve learned that this is just part of the process. It’s so important to keep going and one day you will get exactly what you have wished for.”

Not long after starting her new accounts assistant



role, Adomaitytė was offered a junior accountant role, which she accepted. However, she didn’t stay long in this position, as she was contacted by a manager she previously worked with and was offered

Shorts

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WEBINAR
Moving to Cloud Accounting (accountingweb.co.uk)
 This webinar covers the cloud finance software marketplace and how to find the right finance software for you.

WEBINAR
How To Boss-IT In 2023 (accountex.co.uk/virtual)
 Carl Reader provides insight into navigating economic uncertainty and the tools you need to prosper.

PODCAST
ICAEW Insights
 A panel of guests dissect the latest headlines and provide expert analysis on the top stories from across the world of business, finance and accountancy.

PODCAST
Kaplan’s Learn Better Podcast
 Stuart Pedley-Smith, Kaplan’s head of learning, presents a curated set of topics to help you succeed in your studies and career.

PODCAST
Two Drunk Accountants
 Each week Australian accountants Tim and Dan enjoy a beverage as they dispel the myths and mysteries of running a small business.



Rasa Adomaitytė counts luxury fashion brand Net-a-Porter among her former employers


very small,” she explains. “I look after the receivables side, various VAT returns, fixed assets, prepayments, and other month-end reporting tasks. I am also involved in various ongoing projects. Because we’re a start-up company, many internal controls need to be implemented so that everything runs smoothly, and all tasks are completed on time. I really enjoy solving problems, making changes, and seeing positive results.”

Progressing further

Adomaitytė points out that critical thinking and analysing data, as well as communication skills and attitude, are vital for her day-to-day role.

“If I ever have any doubt, I always double-check,” she says. “This has helped me to avoid many costly mistakes. I always update and track my to-do list, prioritising tasks and working hard to make sure that deadlines are achieved on time. I need to be able to analyse data easily, form a correct opinion and make the right decisions.

“I believe that good communication and showing respect to your co-workers defines at least 50% of your success in an accounting career.”

With just four exams to go, Adomaitytė’s next goal is to complete ACCA. After qualifying, she then plans to progress further in her finance career. 

her current financial accountant role at Braveheart International.

Founded in 2020, Braveheart International is an online fashion retail company based in London. Braveheart International owns the popular

sustainable contemporary women’s fashion label Aligne (aligne.co) and multi-brand fashion retail platform The Founded (thefounded.com).

“As a start-up company, our finance department is

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November/December Winner

Congratulations to **Jean Harrison MAAT** from Herefordshire for winning an Echo Show 8 after taking the November/December 2022 issue's survey!

YOU SPOKE, WE LISTENED

Some readers requested content around offshoring and its pros and cons. We are happy to have done so in our feature on p22.



Tesla

Tesla shares fell 44% in December 2022 alone, as chief executive Elon Musk continues to spend a disproportionate amount of time at Twitter

Tesla is, in so many ways, an outlier. Investors seem unable to decide whether it is a technology company or a car company, but however you look at it, 2022 was a year to forget.

Its shares have fallen 73% from its record high in November 2021. The stock is down 69% in 2022, more than double the decline in the Nasdaq. Among major carmakers, Ford is down 46% and General Motors has fallen 43%. Similarly, Tesla closed the year as the worst-performing stock in 2022 among the most valuable tech companies.

The factors behind Tesla's poor performance are myriad. The latest drop came after the *Wall Street Journal* reported in December that Tesla had to halt production for over a week at its Shanghai facility after a fresh bout of Covid cases within its Chinese workforce. Productivity was badly hit as a result.

Meanwhile, the company has been discounting its vehicles across the globe in a bid to stimulate sales, expanding its offers in North America towards the end of 2022, having also done so in mainland China. These offers hint at a demand issue the company is facing. During the third quarter, Tesla had warned that its production during this period had exceeded deliveries by around 22,000 units. CFO Zachary Kirkhorn warned that the same was likely to happen in

“Tesla’s brand has become more polarising.”

the fourth quarter as well.

Pressure is also mounting in the used-car market, with the average price for a used Tesla dropping 17% from a high in July, and with used Teslas waiting longer than other makes before being resold.

Then there are the actions of its chief executive, Elon Musk, whom investors are less than thrilled with after his acquisition of Twitter. The platform is bleeding cash, and Musk is selling Tesla stock in big chunks to compensate. According to filings in mid-December,



Musk sold about 22 million more shares of Tesla, which were worth around \$3.6bn (£2.96bn).

While Twitter has eaten away at Tesla's balance sheet, Musk's behaviour on the social network has also done much to alienate its natural customer base – progressives – with his daily attacks in the name of free speech.

“Tesla's brand has become more polarising,” Goldman Sachs analyst Mark Delaney wrote in a note to clients on 14 December.

Delaney, who cuts his Tesla stock-price target, said the company must shift consumers' attention back to what Tesla does and away from Musk's tweets.

“Tesla's brand has significant value related to the company's leadership position in clean energy and advanced technology,” he added.

While some elements of Tesla's troubles, such as Covid outbreaks and lockdowns in China, can be put down to poor luck, there are two key lessons here. The first is not to allow the brand or product to be too closely associated with one person – as much as celebrity and expertise can burnish a product, their behaviour can have a deleterious effect. The second is to forecast regularly and forecast well, so as to avoid issues such as Tesla's overproduction of vehicles in 2022 driving down the price. ■

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