

A REVOLUTION in ACCOUNTANCY

Chris Whitley-Jones, Partner at leading UK firm PRB Accountants, collaborated with Danny Andersen of Danish tech company Netconomy, to develop a brand new software system that's revolutionising the way we declare what we earn to HM Revenue & Customs.

The result is PRBookkeeping, which Chris and Danny believe is the future of accounting. It's a system that will make filing accounts easy not just for PRB's core client base, network marketers, but also for anyone who doesn't easily fit into the 9-to-5 lifestyle.

YES & NO caught up with Chris in central London and over tea we found out more about PRB's vision as he talked us through the ins and outs and nitty-gritty details of network marketing and accountancy's new horizon.

Y&N: Chris, you have a new product on the market, what is it called, and what is it used for?

CW-J: We've called it PRBookkeeping, which is not very imaginative but at least it says what it does. The strap-line is 'The Solution for Network Marketers' because it is aimed at the network marketing and direct selling sector, which we specialise in. It doesn't have to be used for that, it can be used for any small business.

What we've tried to do is to come up with an accounting service which really only has the bits you need. So it has all the right headings, limited functionality from the user's end in the sense they can input their data, and it just feeds itself via the cloud to us. Then we, as the accountants, effectively have control over it. We can use the output from it to produce the accounts, and, ultimately, their tax return, which is what is required by HM Revenue & Customs.

Y&N: Why is this important now?

CW-J: Well, 31 January is the filing deadline for tax returns and the end of the tax year is 5 April. No one's going to be doing anything between 31 January and the end of the last tax year. So, now it's after 5 April, and although most people leave things to the last minute, we get a little cluster of people doing stuff early in the new tax year—but most people won't be thinking about it until after the summer. That's the reality.

Y&N: OK. And how would the client access this service, through an app?

CW-J: No, the service we offer is Cloud-based.

Y&N: Is the onus on the client to make sure that they input all the information?

CW-J: Yes, it is.

Y&N: How do you keep a check on what's being input?

CW-J: Part of our role is to strip out things that people think they might like to claim for but actually aren't tax-allowable. People have some interesting ideas. They might put childcare costs or clothing and say, "I only ever use this dress for events, I never wear it socially so it must be a tax relievable expense," but that's not how it works.

Y&N: Why is there a need for this now?

CW-J: It's two-fold really. There's a cost angle to it. I think there are lots of people out there who don't use accountants or in fact do anything because they're frightened about the tax return.

The more topical reason is making tax digital—MTD—which is on the horizon. Everyone running a small business is going to have to do something within the next few years about using a piece of software which is compatible with the Revenue's systems and report to the Revenue on a quarterly basis.

They can do it via an accountant but it has to be out of a piece of software. So, it won't be sufficient to say to the accountant, "Here's my spreadsheet with all my bits of data in it." The piece of software that submits the data to HM Revenue & Customs has to have all the underlying data within it—the individual transactions, if you like, of income and expenditure.

Y&N: How do you think UK-based entrepreneurs and small businesses will respond to something like this?

CW-J: I think it's going to be a big shock for some people. Even now, we're dealing with quite a number of clients that handwrite their accounts. We've still got manually written cashbooks and ledgers that people use simply because they've been using them for the last 20 or 30 years. A lot of people do their stuff on spreadsheets!

Y&N: So, is it fair to say there's a push to have all accounting activity digitalised?

CW-J: The Revenue is constantly levelling the playing field. Being self-employed is no longer particularly advantageous from a tax perspective compared to being employed. I suspect it's a precursor to eventually making self-employed people pay their taxes more than twice a year, which is what happens at the moment. If you're self-employed you pay your tax on 31st January

and 31st July each year, effectively in arrears, so there's a big timing advantage to this as well.

Y&N: How are accountants responding to the MTD concept?

CW-J: With glee, I should think! Because they think it's going to bring about a lot more work. We are busy and getting more enquiries than we ever have before and nearly all of it is for basic compliance work. Because people don't want to be involved with that side of the business. They want to be running their business, selling their products and services, developing their product. What they don't want to be doing is fiddling around with accounts and VAT.

Y&N: This is a PRB Accountants bespoke product, is that correct?

CW-J: Yes. There are half a million people in the UK doing direct selling and I think that will only continue to grow as people want second streams of income.

Y&N: Please tell us more about what you mean by the direct selling sector?

CW-J: When I say direct selling, I'm talking about what you would call network marketing or multi-level marketing. The way that works is you would have an organisation that sells a range of products but rather than advertise and have online or high street stalls or shops where they sell their product, they do it via a network of self-employed individuals. Amway is a good example, it's one of the oldest network marketing companies in the world. The clue is in the 'Am': it came from America.

Y&N: How do you think it will change the way people work within these network marketing organisations?

CW-J: I think it will encourage them to keep more up to date because with a cloud-based piece of software they can do it from anywhere in the world and at any time.

Y&N: So from the client's point of view, is it easy to use?

CW-J: Very easy to use, yes. A client might come to us and say, "Well, alongside my direct selling business, I'm running a beauty business," and again we can incorporate that. We can set up account headings for that side of the business so everything is bespoke to them. It's very quick and easy to do.

Y&N: Presumably it's also a more transparent way of doing things.

CW-J: From the Revenue's perspective they'll no doubt have flags on their system as they do now for VAT returns. It won't involve them manually looking at figures and saying, "Well, that looks a bit odd, I think we ought to enquire into that. Their systems will do this automatically.

Y&N: OK, so you are you trying to simplify the

system for the client?

cw:j: Yes, absolutely, dumbing it down in hopefully a non-patronising way. I had a client ring me up, years ago now, and said she thought our spreadsheet was very unsophisticated. That was meant to be a criticism and I said, “Well, that’s music to my ears because it’s not meant to look pretty, it’s meant to get the job done.

y&n: So, when the client inputs information, which ultimately needs to end up with HM Revenue & Customs, can you monitor how it’s all coming together, if they are doing everything in the right way or not, and so on?

cw:j: Yes, and at that stage, we could then say to the client, “What other sources of income have you got?” They might say, “Oh, I’ve got another job.” And in which case they can email us their P60, just to make sure all their sources of income are on their tax return.

I think we’re going to be pushing people to use this now. We’ve priced it in a way that it’s only marginally more expensive than the basic spreadsheet service that we offer to try and encourage people to use it. We’re trying to get as many people to use it as possible really as a precursor to making tax digital, so people are used to using a piece of software which is ultimately what they’re going to have to do anyway.

y&n: Are you doing stuff on social media specifically for this sector?

cw:j: For the network marketing sector, yes; I’ve always wanted to crack this sector because it’s a fun sector to work in. The people in it, because of the nature of the business, are aspirational. When I talk to them, they’ll be full of questions. They’ll be eager to take on board all I’ve got to say. Because you don’t get anywhere in network marketing if you’re not open-minded and enthusiastic. That’s what it’s all about, it’s about selling and encouraging, and also supporting your team. There is also a very wide variety of people in network marketing including many professionals who are looking to replace their existing income with something that gives them a better work-life balance.

y&n: When was this idea of network marketing born?

cw:j: Well, I don’t know if Amway was the first or the second. Amway was born in 1959 so it goes back quite a long way. Two guys in the States conceived it back as early as that. There are now, I don’t know, 50, 60, 70 different organisations operating in the UK.

y&n: Are these UK-based organisations built on the same model?

cw:j: They’re based on the original network marketing model, yes. I mean, the commission structures are different and they vary, and the product offerings are different, like Utility Warehouse for instance, who are utilities providers, they do broadband, phone and gas and electric. Another is Forever Living, essentially Aloe Vera

and bee pollen-based products, so drinking gels, creams, sun creams, all sorts of bits and pieces. And they grow all their own Aloe Vera in America but much, much, much better quality than you would be able to buy in high street stores, much more concentrated. So you’re getting a high quality product, albeit at quite a high price, but a completely different product to what you could buy on the high street.

y&n: So they can say, “I’ll buy 24 cases of wine or whatever the product might be,” and sell to their friends?

cw:j: They can but the only real way to make money in network marketing is contained in the title—you build up a network of people, because then you’re getting a cut of everyone’s commission. The incentive for the person down the line from you is to move further up the network, because not only do you get a cut of more people’s commission, but higher up the network you get, the way it works, is you’ll get a bigger percentage as well. We’ve got people making £200,000-, £300,000-, £400,000-a-year out of network marketing.

y&n: Does that mean if you find the right network, you can make sure you’re getting the best service or the best product?

cw:j: Yes. Generally the products in the network marketing sector across the board are quite expensive but that’s because they’re much better and more concentrated or whatever it might be.

The key for us really is not so much getting to the organisations themselves and saying, “You need to recommend an accountant,” because history tells us that that’s not going to happen in a million years. The key is to get to the top distributors of the networks and get them to become advocates for us.

For more information on the service provided by PRBookkeeping please contact:

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Why Netconomy?
Danny Andersen

I was CTO for a large group of accountants in Denmark, owned and operated an online backup and software development company, and actively built a network marketing business together with my wife—all at the same time. Obviously I strongly believe in the power of synergy as you allow yourself to be involved in different projects simultaneously. This is one of the reasons I am passionate about helping and enabling people to become business owners who develop teams of business owners that work together.

We found that our teams needed a simple solution for handling their bookkeeping. It needed to be simple, correct and professional while not being too expensive. We knew software alone would not be the solution as it gives no peace of mind, and also not always the correct result, when you don’t know all the rules of doing your bookkeeping and financial statements.

So we partnered with an accountant who specialised in the industry and developed an online platform that made it very easy to communicate and exchange information and data between the business owners and the accountant. Cashbook, documents, conversations, and information in the same place so both business owner and accountant only have to look in one place for data. With spouses or multiple people in a business and multiple employees with the accountant, everyone knows exactly where to find the data.

Versions of the platform are now being used by several accountants to serve small businesses as well as large restaurant franchises and everything in between because the goal is always the same. Make it simple, easy and safe for the responsible people in the business to get the data to the accountant, so the accountant can deliver correct and professional material back to the business owners and management.

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