

## Fractal Labs – Public Commitments

### **£2.5 Million Award**

Fractal, a technology business fundamentally changing the way SMEs access financial services, in partnership with untied, the UK's personal tax app simplifying tax returns for small businesses, are bringing to market a unified revenue collection and tax filing initiative called SMART (SMEs Manage Accounts Receivables and Tax) focused on assisting SMEs manage the most important areas of their working capital - revenue, costs and cash.

Working capital is the lifeblood of any business, and nowhere is this more important than for the 4.4 million sole traders in the UK. Sole traders represent a fast-growing segment of the population and are expected to constitute a third of the UK's workforce by 2025. The SMART initiative has been designed to directly address the existing pain points sole traders face, based on our first-hand experience working both directly with thousands of SMEs and with global customers who have SME clients. As such, SMART is composed of three propositions which combine to alleviate SMEs' working capital problems:

- Revenue collection and management
- Tax liabilities and cost management
- Working capital and cash management

The covid-19 crisis has exposed how vulnerable sole traders are to shocks in their working capital cycle, and the need for a technological tool that alleviates their pain. Through SMART, Fractal and untied combine their market-leading technology and progressive regulatory changes such as Open Banking and Making Tax Digital to offer a single, SME centric solution which addresses the three levers that have the largest bearing on their working capital needs, thereby securing jobs, serving taxpayers, and broadly supporting the economy over the years ahead.

Pool E (D bodies) of the Capability and Innovation Fund facilitates the commercialisation of financial technology that is relevant to SMEs. This proposition achieves these goals with the following commitments:

#### **COMMITMENT 1 – Continue to strengthen the wider SME-focused financial ecosystem and the economy.**

To focus impact on 4.4m sole traders which have been among the most vulnerable during the covid-19 pandemic by giving them access to easy-to-use tools and opportunities that have previously only been available to larger businesses, by December 2020

To integrate SMART services with partners for distribution and support including giving accountants and advisors access to data in order to better serve their clients by July 2021

#### **COMMITMENT 2 – Substantially improve the financial health and viability of SMEs in the UK.**

Deploy new revenue, cost and cash management tools in the market:

- Launch the core SMART proposition by December 2020 including 1) invoicing, 2) tax calculation and filing, and 3) data aggregation and cashflow forecasting
- Scale availability and usage via partners to 250,000 SMEs and 18,720 SMEs respectively by December 2022

#### **COMMITMENT 3 – Help SMEs to take control of their customer payment terms by providing them with powerful tools to help incentivise payment.**

Develop and scale the SMART Revenue management proposition to include:

- Tax impact integration by May 2021
- Collection, invoicing tools and cash management tools by June 2021

- Dynamic discounting by September 2021
- Initiate £70m of Open Banking (PIS) payments by December 2022

**COMMITMENT 4 – Distribute a simple, scalable and affordable method for SMEs to anticipate, prepare and submit tax.**

Develop and scale the SMART Cost (tax) management proposition to include:

- Open Banking-driven personal income tax management and optimisation with a focus on sole traders and with support for other income sources. Integration with HMRC via self-assessment and Making Tax Digital. Built-in submission of personal income tax filings at launch by December 2020
- Third party tax calculator APIs allowing banks and others to integrate tax by December 2020
- Submit 25,000 tax returns by December 2022

**COMMITMENT 5 – Deliver best-in-class SME financial forecasts.**

To develop and scale the SMART cash management proposition to include:

- Advanced cashflow tools offering data aggregation, tax and insights by March 2021
- Support 18,720 SMEs in aggregating accounts by December 2022

**COMMITMENT 6 – Commit to promoting diversity and jobs nationally**

- This initiative commits to creating 22 jobs across software development, product management, data science, partnerships and sales by December 2022
- Empower underrepresented groups with exceptional employment opportunities targeting 50% diversity with 50% of these positions outside London, by December 2022
- At least 10 paid internships will also be available to support mentoring and training young talent to succeed in the tech world

**COMMITMENT 7 – Co-investment**

Fractal and untied will boost the delivery of SMART (created using C&I funding) by adding £1 from our own finances to every £1 received from BCR