# Making Tax Digital

## For Income Tax Self-Assessment (ITSA)

# Making Tax Digital (MTD) For Income Tax Self-Assessment (ITSA)

Making Tax Digital (MTD) is the most fundamental change to the administration of the tax system for at least 20 years.

**From April 2024** - The essential elements for **sole-trader businesses** and **landlords** are:

- **Paper records will no longer be sufficient**: HMRC are making it mandatory for almost all businesses (sole-traders) and landlords to use functional, compatible software to keep accounting records. Partnerships will have until April 2025. Paper accounting records will cease to meet the requirements of tax law.

- **Quarterly reporting:** There will be a requirement to submit updates to HMRC **each quarter** directly from compliant accounting software.

As your accountants we will support you through these changes and provide the ongoing services that you need. However, the changes are so fundamental that it will be necessary to review your current record keeping systems and to reconsider what work you decide to do yourself and which activities you wish to include in the service we provide.

## When does it start?

**April 2024**: If your rental income and/or sole trader business has an annual turnover in excess of £10,000 you will be required to keep digital accounting records and to file quarterly returns using MTD compliant software from April 2024.

It is important to start preparing now to ensure that you have the software and system in place in time.

We have some discounted software options and we're here to help with the submissions if you need us.

"Opportunity does not waste time with those who are unprepared…"

## How will this affect your personal tax affairs?

This is a massive change as HMRC attempt to move all personal tax affairs to your Personal Digital Account. Ultimately HMRC want to scrap the personal tax return and obtain all information digitally, although this may take several years to achieve. It will shift the emphasis from reporting historical data on a tax return, to uploading real-time data to your personal tax account. Individuals may wish to register for a personal tax account at **www.gov.uk/personal-tax-account**. Banks, building societies, pension providers and employers will be required to "push" information to HMRC. You will also be obliged, in most cases, to upload quarterly information to HMRC about your business or letting income sources.

### How will I have to send information?

The upload will have to be done electronically; if you already use cloud based bookkeeping software which we have recommended, this facility will be in place in good time. If you haven't considered the use of cloud accounts software, please call us. We can help you get everything ready before the upload obligations begin from April 2024.

### How will I know if my tax is correct?

We offer a service to check your data before it's uploaded to ensure that the tax assessed is correct. This review will include ideas to reduce your tax bill, if appropriate planning opportunities are available.

## Will this apply to my letting income?

YES, if your rental income or combined income from self-assessment and letting is in excess of £10,000 per annum you will need to make quarterly submissions to HMRC.

There is simple cloud software available and we can help you with the transition. We also have an option where we can do it all for you!

## Are there any advantages to this change?

Although you will need to take on and use compliant accounts software, this does mean that manual chores, like analysing sales, bank accounts and so on, will be done automatically. The key is to make sure the data you enter is correct.

For the first time, you will also have access (via your online personal tax account) to estimates of your future tax liabilities based on current year earnings.

From a planning point of view, these are positive changes. We can help you set up your accounts software to maximise benefits for your business, and also keep an eye on your personal tax account to make sure that the projected tax due is correct.

## What do I need to do now?

We need to discuss the transition to MTD with you so that you are ready for MTD reporting for ITSA by **April 2024**.

If you currently use accounting software it may need to be upgraded. If you are considering acquiring software, **please discuss this with us first**. We have special deals available on many of the key products and we can help you choose the right product.

If you currently maintain records on a spreadsheet you will need to acquire software which will allow returns and updates to be made directly from the spreadsheets, or transfer to cloud based accounting software.

If you currently maintain records on paper your processes will have to change. You will need to provide records to us promptly after each quarter-end and engage us to do the bookkeeping and quarterly reporting or acquire and use appropriate software.

## Smart Phone App

We have our own smart phone app which is free to download from the apple or android app stores.

This gives you one place to access your receipt scanning, cloud bookkeeping and other software.

It also has a mileage tracker and other useful information including access to our secure portal and employee payslips (where we operate your payroll).

## Cloud Software

We would be delighted to speak to you about some of the cloud software options available.

We are QuickBooks Online and ReceiptBank Partners but we also work regularly with other software providers ensuring the best solution for your needs.

Speak to us about a demonstration of how the products work and the benefits to you and your business.

# Where can I get further information about these changes?

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