

Making Tax Digital for Income Tax

What will you need to do?

A massive change in the way that tax information is submitted and tax data is gathered for individuals will apply from 6 April 2024.

This leaflet is designed to start to inform you of the changes that are coming and start to prepare you for the things that you and we need to make happen.

The government has committed to Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA).

It will apply to self-employed businesses and landlords with annual business and/or property income of more than £10,000 a year.

If you are a vat registered business you will already have had to comply with some of this but the personal tax side is new and equally onerous.

HMRC have recently published guidance on meeting the requirements. If you fall within the scope of MTD for ITSA, it is important that you understand what you will need to do to comply.

This is going to be the statutory requirement imposed by the government.

We are ready to help provide the solutions.

Whilst 2024 seems a long way away the sooner that you are prepared the better the outcome will be.

Key dates

MTD for ITSA applies for the 2024/25 tax year onwards to self-employed businesses and landlords with gross business and/or property income of more than £10,000 a year. Under MTD for ITSA, you/we must send quarterly updates to HMRC within one month of each quarter end. You/we must also send an end of period statement by 31 January following the end of the tax year (so by 31 January 2026 for 2024/25), and make a final declaration by the same date.

This means that instead of there being one return a year there will now be a minimum of 5!

This note explains what you/we will need to do to meet the requirements under MTD for ITSA.

Choose MTD-compatible software

You will need to use software that works with MTD for ITSA and is capable of:

- creating and storing digital records of all your business transactions;
- sending updates of your total business income and total business expenses to HMRC each quarter; and
- making an end of period statement.

For larger income and business streams we have a recommended solution called kashflow, which we are able to link directly with our compliance and statutory filing software. We would be happy to discuss this with you. We are exploring alternatives for smaller income streams and landlords, which will also link with our compliance software. You/we can use the software to make your final declaration. Alternatively, this can be made via your HMRC online services account.

If you have more than one business, or are both a self-employed trader and a landlord, you will need to keep separate records for each business and make separate submissions.

It is important that personal items are separated from business items as well and we recommend that you set up a separate rental account, business account and personal account. This means that personal data will not be available to HMRC.

You/we will need to authorise your software so that you can use it to make submission to HMRC. If you are already using software, your software provider will be able to explain how to do this.

We can also help to make submissions on your behalf.

Keep Digital Records

Under MTD for ITSA you must keep digital records of your business income and expenses. You can do this within your MTD-compatible software. Our solution uses a digital capture app called Snap. This is as simple as taking a picture on your phone or uploading a scanned document.

Send quarterly updates

You/we will need to send quarterly updates to HMRC. The MTD software will create quarterly summaries comprising the totals for each income and expenses category. The quarters run to 5 July, 5 October, 5 January and 5 April and the quarterly **updates must be submitted within one month of the end of the quarter** (i.e. by 5 August, 5 November, 5 February and 5 May). If you prefer, you can prepare your updates to the end of the calendar quarter (30 June, 30 September, 31 December and 31 March). However, **the submission deadlines remain the same. If you miss the deadline, you may be charged a penalty.**

You do not need to make any changes to the information contained in your quarterly update, but you can do so if you would like your estimated tax bill to be more accurate.

Make your end of period statement

At the end of the tax year, you will need to make an end of period statement. This is also the mechanism by which you can:

- make accounting adjustments;
- make tax adjustments; and
- claim reliefs or allowances.

This is similar to the accounts that we currently prepare for you and will incorporate all changes that we make. When you/we make your end of period statement, you must declare that the information that you have provided is complete and correct and that you have finalised your tax position for that business for the tax year. Again this is similar to the statement that you currently make on your personal tax return.

You must make your end of period statement by 31 January after the end of the tax year to which it relates.

Once you have submitted your end of period statement, you will be able to see an updated estimate of your tax bill using your HMRC personal account which we wrote to you about earlier.

Make your final declaration

You will also need to send HMRC details of other income, such as savings and dividends. This is done by making a final declaration. You/we will do this via our compliance software as we currently do..

We are here to help

Clients will be relieved to know that the accounts software we presently recommend will cope with the various returns and online processes set out above.

However, if you are not yet using MTD ready software, and will be required to comply with MTD for ITSA, now is the time to consider your options. Please call so we can help you make this change.