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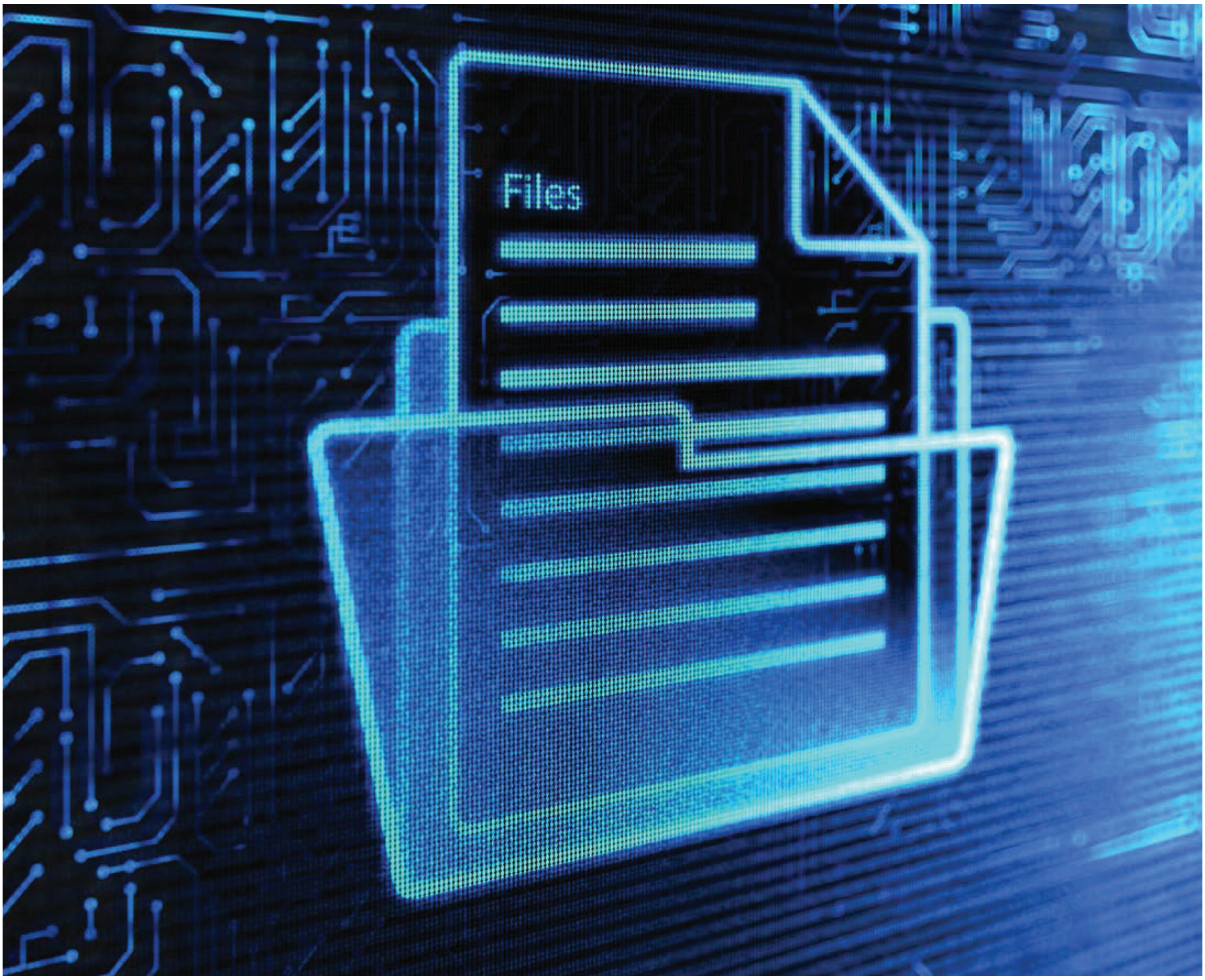

MAKING TAX *DIGITAL*

From 2024/25, all sole trader businesses and landlords will need to keep their business records in a digital format and submit quarterly reports to HMRC using MTD-compatible software. Although the annual self-assessment tax return is being abolished, the new regime will involve more frequent reporting obligations than the old one.

These submissions will be additional to those already being made by VAT-registered businesses under MTD.

Partnerships will start coming within MTD from 2025/26.

It is important to understand how these changes will impact your business.

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What is Making Tax Digital (MTD)?

The Government has a ten-year strategy to modernise the UK's tax administration and providing services digitally under Making Tax Digital (MTD) is core to that plan. Digital channels will become the normal way that information is transmitted to and from HMRC, although telephone and post will be retained for those who are digitally excluded.

Businesses can already manage their business taxes, as administered by HMRC, through their online business tax account (BTA) on gov.uk. For example, the BTA allows them to see how much PAYE they have paid and are due to pay, as reported under RTI. The BTA is also used to authorise a tax agent to act and to inform HMRC of new details, such as address or telephone number.

Individuals can view their tax position through their personal tax account (PTA) on gov.uk. This is the gateway to lots of HMRC services, including claims for the marriage allowance, checking entitlement to the state pension and updating a PAYE code. Self-assessment statements and notices to submit tax returns are now automatically issued through the PTA rather than on paper.

There are also other online accounts administered by HMRC, including: capital gains tax on property (UK Property Account), the Annual Charge on Enveloped Dwellings (ATED) and the Customs Declaration Service (CDS). HMRC has ambitions to amalgamate all these online tax accounts into a Single Customer Account (SCA), which would also allow access to tax agents. Currently the BTA and PTA do not allow tax agents to see what their clients can view.

MTD has already been fully rolled out to all VAT-registered traders, who now need to submit their VAT returns using MTD-compatible software.

The next stage of MTD (MTD for income tax self-assessment or MTD ITSA) will be to require most sole traders and individual landlords to report the figures needed for income tax calculations to HMRC every quarter, starting from the quarter beginning 6 April 2024. In the following year MTD will be extended to smaller partnerships, then to larger and complex partnerships from a date to be confirmed.

At some point MTD software will be required for reporting information for corporation tax, but not before April 2026.

In this guide, we will remind you of the existing MTD for VAT rules (which now apply for all VAT-registered businesses), before explaining what lies ahead with MTD ITSA.

Why MTD?

Digital communications are cheaper for HMRC to process and transmit than those made by telephone or post, as digital services can be largely automated. It is also easier to automate penalties for late or incomplete digital submissions than for paper returns.

The MTD regulations require each business to submit updates, at least quarterly, of its income and expenses, to prove that it is keeping timely business records. HMRC believes that when transactions are recorded at or near the time the transaction occurred, businesses make fewer mistakes of omission or duplication. It also argues that when transactions are recorded digitally and the data is transferred to MTD-compatible software with no re-typing or copying by humans, any errors introduced during the accounts preparation process are minimised.

HMRC firmly believes that the combination of the use of digital record keeping and quarterly reporting of accounting figures transmitted straight from the digital records will improve the accuracy of business accounts. HMRC also thinks that this will increase the tax payable, on the basis that businesses tend to make mistakes in their own favour rather than to their detriment.

HMRC is considering changing the timing of payments of income tax and corporation tax paid by small businesses and landlords, so that the tax liability falls closer to the time when the profits are made. However, nothing has yet been decided about changing the dates on which tax is due.

When MTD is fully in place, HMRC will be able to analyse the accounting data from each business more easily, allowing it to seek out anomalies that may indicate that expenses have been over-claimed or sales have been under-declared.

When does MTD reporting apply?

There will be separate MTD regimes for these taxes: VAT, income tax self-assessment (ITSA) and corporation tax (CT). These will each have their own distinct reporting requirements and deadlines. Other taxes may be covered by separate MTD regimes from future dates.

The current timetable for taxpayers to comply with the appropriate MTD regime for each of the taxes they pay is as follows:

Tax and MTD regime	Taxpayers who must report under MTD	Annual turnover that requires sign-up to MTD	Start of first MTD reporting period
VAT (MTD for VAT)	VAT-registered businesses that were not deferred	£85,000	1 April 2019
VAT (MTD for VAT)	VAT-registered organisations with a deferred start date	£85,000	1 October 2019
VAT (MTD for VAT)	All other VAT-registered businesses and organisations	Any	1 April 2022
Income tax (MTD ITSA)	Sole traders and landlords	£10,000 per taxpayer	6 April 2024
Income tax (MTD ITSA)	Partnerships with up to 20 partners and no corporate members	£10,000 per partnership	6 April 2025
Income tax (MTD ITSA)	Large and complex partnerships	£10,000 per partnership	Unknown
Corporation tax (MTD CT)	Companies and other organisations subject to corporation tax	Any	Unknown

A business that is already reporting under MTD for VAT, which also needs to report profits subject to income tax, will need to separately sign-up to MTD for income tax (MTD ITSA) in early 2024.

What will you need to do?

There are three basic requirements for businesses (including landlords) to meet under either the MTD for VAT or the MTD ITSA regulations:

1. Record and keep accounting records in a digital format (digital records).
2. Provide digital links between the digital records and the submission of the required data to HMRC.
3. Submit the required data to HMRC using MTD-compatible software at least quarterly.

Under MTD for VAT the business must report exactly the same data as previously submitted on the paper or electronic VAT return. MTD for VAT is effectively a slightly different method of submitting the regular VAT returns; the timing of VAT filings and payment have not changed.

Example 1

Bill is a self-employed builder. He is VAT registered and also owns an investment property jointly with his wife Brenda, which is let for £12,000 per year. They do not have a formal partnership. Brenda is employed outside of the building business.

Bill has always submitted VAT returns quarterly so, since 1 April 2019, when he was required to join the MTD for VAT regime, he has submitted his quarterly VAT returns using MTD-compatible software.

Note: this example will be expanded upon later when we discuss MTD ITSA in detail.

Under MTD ITSA, the MTD reports will replace the annual income tax self-assessment tax return. (A similar replacement of the annual corporate tax return is expected to apply for MTD CT.) Each business will have to submit the MTD reports for each tax it pays and for each separate trade or business it operates.

What are digital records?

Under MTD, businesses and landlords must record and maintain their business transactions as ‘digital records’. This is understood to be any electronic format, including a spreadsheet, an accounting software package or a combination of compatible software tools (which may include both spreadsheets and accounting software): see examples 2 and 3.

Once the transactions have been recorded digitally, any further transfer of that data to other software packages must be via digital links and not by the use of manual copying, cutting and pasting or retyping.

What is a digital link?

This is an electronic or digital transfer of data between software programs, products or applications. A connection is created between the digital records and the software, or between various software packages, or between different cells within a single spreadsheet.

The digital link does not have to be an automated link, but the activity must transfer the data directly with no manual alterations made to individual entries.

All of the following are examples of digital links:

- emailing a spreadsheet containing digital records to a tax agent who imports the data into their software to carry out a calculation;
- transferring a set of digital records onto a portable device (e.g. memory stick) and physically giving this to a tax agent to import that data into their software;
- XML, CSV import and export;
- download or upload of files to/from cloud-based software;
- automated data transfer;
- API transfer (NB API is Application Programming Interface, which is a software intermediary that allows two applications to talk to each other).

MTD for VAT

The MTD regulations require the business to keep digital records of the data necessary to complete its VAT returns. However, as that VAT data comprises all of the business sales and all of the purchases (unless the flat rate scheme is used), the digital records requirement covers most of the accounting records of the business.

What must be recorded

The following must be recorded digitally for each sale:

- time of the sale – the tax point;
- value of the supply net of VAT; and
- rate of VAT charged on it.

Retailers are not required to record every separate sale if they operate a retail scheme; instead they can record the daily gross takings (DGT) for the business.

Where the sales invoice contains multiple supplies charged at different VAT rates, each supply needs to be recorded separately.

For each purchase, the following data must be digitally recorded:

- time of supply – the tax point;
- value of supply (including any VAT not claimable); and
- amount of input tax to be claimed.

Instead of recording the details from each purchase invoice, the business may record the totals from a supplier statement, if all of the supplies reported on that statement fall within the same VAT period and the total VAT charged at each rate is shown.

There are special rules for petty cash purchases and charity fundraising events.

In addition to the above transactional data, the permanent identification points for the business must also be recorded digitally:

- business name;
- address of principal place of business;
- VAT registration number; and
- any VAT schemes used.

How is the VAT data compiled?

Businesses can use several different software tools, including spreadsheets, to undertake the calculations needed to produce the VAT return figures.

Example 2

Golf Ltd is a partially exempt business, as some of its sales are exempt from VAT. It records all its transactions in its accounting software. The internal accountant for Golf Ltd uses a spreadsheet to calculate the adjustments needed to the input VAT under the partial exemption rules. The accountant then makes a journal entry into the accounting software package to amend the VAT input tax that will be claimed.

The adjusted totals of input VAT and output VAT are exported digitally from the accounting software to MTD-compatible software, which uses an API link to transmit the final totals to HMRC's systems. If the transfer of data between the accounting software and the MTD software

is performed digitally, the MTD requirements are met. The use of a spreadsheet to undertake the partial exemption calculations is acceptable, even if the data is transferred to and from the spreadsheet manually.

Example 3

Mr Small is a VAT registered sole trader. He records all his transactions in a spreadsheet. Each quarter he emails this spreadsheet to Ann, his accountant.

Ann imports Small's transaction data electronically from the spreadsheet into her commercial MTD-compatible software. Ann checks that VAT has not been claimed for purchases which are blocked under VAT law, such as for cars or entertaining. She then uses her MTD-compatible software to submit Small's VAT data to HMRC each quarter and tells Small what VAT he must pay.

What is submitted?

The VAT data submitted under MTD is exactly the same as that provided in the familiar nine boxes on the paper or web-based VAT return. Only the totals of sales and purchases, imports and exports are submitted in the MTD VAT report, not the detail of each transaction.

When is the submission to be made?

Businesses report their VAT information by the same deadlines and for the same VAT periods under MTD as previously. The business doesn't have to change VAT quarters to align with its accounting period. However, when a business starts to also report under MTD ITSA it may wish to align its VAT quarters to the tax year.

Businesses that submit monthly or annual VAT returns can continue to do so under MTD for VAT. Those businesses won't have to move to quarterly VAT reporting, although they will need to comply with the digital record-keeping requirements.

The web-based VAT portal will close on 31 October 2022, so after that date VAT-registered businesses will have to submit their VAT returns using MTD-compatible software or claim an exemption from MTD for VAT.

Deregistration from VAT

Once a VAT registered business is drawn into the MTD for VAT reporting regime, it remains within it until the business deregisters from VAT.

A business can deregister if its VATable turnover is expected not to exceed £83,000 in the next 12 months. The deregistration threshold has been fixed at this level until 31 March 2024.

MTD-compatible software

HMRC does not provide software to enable businesses to make MTD reports for VAT. There are some low-cost or free versions (for limited periods) of commercial MTD-compatible software that can submit the MTD VAT reports.

Bridging software reads the necessary data from a spreadsheet and submits it to HMRC by way of an API. This can be a cheap solution for businesses to submit their MTD for VAT reports.

Accountants can submit the MTD VAT reports on behalf their clients if they are authorised to do so.

Who is exempt from MTD VAT?

If one of the following circumstances applies to the business, such that it is exempt from MTD reporting, it must contact the VAT helpline to discuss alternative arrangements for submitting its VAT figures. A business can't simply choose to be exempt from MTD reporting. If the facts make it exempt, it can still elect to submit MTD reports using suitable software before the start of the next accounting period.

Ability to use technology

Where a business owner is unable to use computers or other digital tools due to reasons of disability, age, or remoteness of location of the business (e.g. no broadband access), that business will be exempt from MTD reporting requirements. However, where the business is a partnership, every partner in that business must qualify for an exemption for the whole business to be exempt from MTD reporting.

HMRC has not indicated how old a person must be in order to qualify for an MTD exemption on the basis of age.

Religion

Where all the business owners are practising members of a religious society, whose beliefs prevent the use of computers, that business will be exempt from MTD reporting.

Insolvency

While the business is subject to insolvency procedures it will not be required to submit MTD reports.

Not VAT registered

Businesses that are not registered for VAT do not have to submit MTD for VAT reports. This is the case even where the annual turnover of the business exceeds £85,000, but it is not VAT-registered because its sales are exempt from VAT, such as rent of a residential landlord.

MTD Income Tax Self Assessment (ITSA)

Who must comply with MTD ITSA?

In early 2024, individuals who are within self assessment will be required to sign up for MTD ITSA if they meet these conditions:

- they have income from self-employment or property, or both (qualifying income); and
- the gross amount of qualifying income, before deductions, is more than £10,000 for the tax year.

The following is not considered qualifying income and is not counted as part of the £10,000 threshold:

- Employment income
- Dividends
- Savings income
- Income subject to the remittance basis, when received by a non-domiciled UK resident taxpayer
- Partnership income (for 2024/25 only)

Partnerships are not drawn into MTD ITSA until 6 April 2025, so partnership income is not considered to be qualifying income for the tax year 2024/25.

Jointly held property is generally not treated as a partnership, so landlords who own property jointly will have to include their share of the gross rents in their calculation of qualifying income for MTD ITSA from 6 April 2024.

All of the following is considered qualifying income:

- Rents received from UK or overseas property (there is no deferral for landlords)
- Self-employed sales from a UK or overseas business
- Income-based carried interest (only relevant for those involved in venture capital)
- Disguised investment management fees
- Property or trading income received by a trust but which is taxed on the beneficiary.

Where an individual is a beneficiary of a bare trust or an interest in possession trust, any trading or property income they receive directly from the trust assets is counted as part of their qualifying income.

The £10,000 threshold of qualifying income applies per taxpayer, not per business or per property.

Example 4

Pete is a retired teacher. He has annual sales of £6,000 as a handyman. He also owns a property jointly with his wife Linda, which is let for £18,000 per year.

Pete's qualifying income for MTD ITSA is £15,000 (£6,000 trading income + £9,000 rent). Pete must sign-up for MTD ITSA from 6 April 2024.

Linda's share of the property income is £9,000, which is the total of her qualifying income for the year. As this is less than the £10,000 qualifying income threshold, she is not required to sign up for MTD ITSA.

HMRC will examine the self-assessment tax returns for 2022/23, which should be submitted by 31 January 2024. If that tax return includes more than £10,000 of qualifying income, HMRC will write to the taxpayer in February or March 2024 to tell them they must sign-up to MTD ITSA and comply with the MTD ITSA regulations.

Where the self-employed trade or property business commenced in 2022/23, HMRC will prorate the turnover to determine whether the total for a full year would exceed £10,000.

Who is exempt from MTD ITSA?

The following individuals are not required to report under MTD ITSA in respect of their qualifying income:

- Personal representatives of deceased persons
- Trustees, but beneficiaries of interest in possession trusts (in Scotland, liferent trusts) may need to report
- Trustees of charitable trusts.
- Trustees of non-registered pension schemes
- Lloyd's underwriters – but only for their underwriting business

In addition, taxpayers who are digitally excluded will be able to ask HMRC to grant an exemption from MTD ITSA if either of these conditions apply:

A. It is not practical for the individual to use software to keep digital records or submit them to HMRC; or

B. The individual is a practising member of a religious society, the beliefs of which are incompatible with using electronic communications or keeping electronic records.

Condition A can apply due to the taxpayer's age, disability, location or another reason (as discussed earlier).

Those taxpayers who are exempt from MTD for VAT will also automatically be exempt from MTD ITSA.

HMRC has not set out the procedure for a taxpayer (or tax agent on their behalf) to apply for exemption from MTD ITSA.

What must be recorded?

The following information must be recorded digitally for each business transaction:

- date
- amount
- relevant category of income or expense.

However, retailers may record their sales on a daily basis (daily gross takings: DGT) instead of recording every sale separately.

The categories of income and expenses that will need to be recorded for MTD ITSA are exactly the same as currently required for the annual self-assessment tax return. However, those totals of income and expenses must be submitted to HMRC every quarter, instead of annually some months after the end of the tax year.

Example 5

George is a self-employed greengrocer who has turnover of over £85,000 . Under MTD ITSA he will need to record his income and expenses in these categories, at least quarterly:

Income

- *Sales*
- *Other business income*

Business expenses

- *Cost of goods bought for resale or goods used*
- *Wages, salaries, and other staff costs*
- *Car, van, and travel expenses*
- *Rent, rates, power, and insurance costs*
- *Repairs and maintenance of property and equipment*
- *Telephone, stationery, and other office costs (including internet)*
- *Advertising and business entertainment costs*
- *Interest on bank and other loans*
- *Bank, credit card and other financial charges*
- *Irrecoverable debts written off*
- *Accountancy, legal and other professional fees*
- *Depreciation and loss or profit on sale of assets*
- *Other business expenses*

As a retail business, George can record one figure of gross daily takings digitally for his retail sales, instead of recording every single sale. However, this total of sales must be a daily record, not his weekly sales total.

Example 6

Indira lets a number of residential and non-residential properties in the UK, so she must record the income and expenses of her property business, in the following categories, at least quarterly:

Income

- *Total rents*
- *Other income*
- *Tax taken from total rents and other income from property*
- *Premiums for the grant of a lease*
- *Reverse premiums and inducements*

Expenses

- *Rent, rates, insurance, ground rents*
- *Property repairs and maintenance*
- *Residential property finance costs*
- *Non-residential property finance costs*
- *Legal, management and other professional fees*
- *Costs of services provided, including wages*
- *Other allowable property expenses*

Where a business or landlord has sales or rents of less than £85,000 per year, the taxpayer is permitted to record and report only two totals each quarter:

- All business income
- All business expenses

Depending on her level of rents, this may apply to Indira in the above example.

What reports must be submitted?

HMRC is encouraging businesses to record digitally their transaction data as close to each transaction as possible, to reduce omission errors.

However, the MTD ITSA regulations require the digital records of the transactions to be created

- at any time in the quarter before the update for that period is submitted to HMRC; and
- no later than the deadline for submitting that quarterly update.

Accountants and bookkeepers are permitted to record transaction data digitally on behalf of their clients.

All businesses and landlords (or their tax agents) who are subject to the MTD ITSA regulations must submit the following reports, adjustments or confirmation statements to HMRC using MTD-compatible software.

Quarterly updates

A report of the totals of income and expenses (sorted into the relevant categories where necessary) for the quarter must be submitted to HMRC by these deadlines:

Quarterly period	Filing deadline
6 April to 5 July	5 August
6 July to 5 October	5 November
6 October to 5 January	5 February
6 January to 5 April	5 May

The quarterly update does not have to include any accounting or tax adjustments, such as removing expenses that are not tax deductible.

Businesses that draw up their accounts to a date between 31 March and 4 April will be able to elect to submit their quarter updates for the calendar quarters to: 31 March, 30 June, 30 September and 31 December. Those businesses must submit their quarterly updates to the same deadlines as shown above, so will have five extra days in which to submit the update report following the end of their quarterly period.

Businesses that currently draw up their accounts to a date that does not fall between 31 March and 5 April (inclusive) will be required to report their income and expenses from transactions that fall within the tax year (or year to 31 March) from 6 April 2024. There will be a transition year in 2023/24 in which accounts for more than 12 months will be reported, with the extra profits arising being spread for tax purposes over five years.

Taxpayers must submit a separate set of quarterly updates for each trading business or property letting business they operate.

End of period statement (EOPS)

Once the four quarterly updates have been submitted for the business for the tax year, the taxpayer can finalise the business accounts for that year. HMRC will combine the information submitted in the four quarterly updates, then ask the taxpayer or their accountant to make any accounting or tax adjustments, and claim any relevant reliefs or allowances such as capital allowances. This is done by submitting an EOPS.

Once these adjustments have been completed, HMRC will ask the taxpayer to confirm that all the information submitted in that EOPS is complete and correct. HMRC will then provide the taxpayer with an updated estimate of their tax liability for the year.

The taxpayer needs to complete an EOPS for each business or property business they operate – see Example 7.

Finalisation of the tax year

Where the taxpayer has additional information to report to HMRC, such as income or gains from other sources or reliefs to claim, they need to submit this data either through the MTD-compatible software or through their online personal tax account.

To finalise their tax liability for the tax year, the taxpayer must make a final declaration that all the information provided is complete and correct. This replaces the self-assessment tax return for the tax year.

Example 7

In Example 1 we met Bill and Brenda, who jointly let a property for £12,000 per year. Bill's building business is VAT-registered and the accounts are made up to 31 March; his VAT quarters also run to the calendar quarter. Bill elects to submit updates for calendar quarters under MTD ITSA.

Brenda does not have to submit quarterly reports for her share of the property income (£6,000 per year), as that income is under the £10,000 threshold for reporting under the MTD ITSA regime.

From 1 January 2024 to 31 January 2026, Bill will have to submit the following reports and confirmation statements under MTD VAT, MTD ITSA and self-assessment.

Reporting under	Tax Year	Reporting for period:	Deadline:
Self-assessment	2022/23	6 April 2022 - 5 April 2023	31 January 2024
MTD VAT	2023/24	Q3:1 Oct – 31 Dec 2023	7 February 2024
MTD VAT	2023/24	Q4:1 Jan – 31 March 2024	7 May 2024
MTD ITSA trade	2024/25	Q1: 6 April – 30 June 2024	5 August 2024
MTD ITSA property	2024/25	Q1: 6 April – 5 July 2024	5 August 2024
MTD VAT	2024/25	Q1: 1 April – 30 June 2024	7 August 2024
MTD ITSA trade	2024/25	Q2: 1 July – 30 Sept 2024	5 November 2024
MTD ITSA property	2024/25	Q2: 6 July – 5 Oct 2024	5 November 2024
MTD VAT	2024/25	Q2: 1 July – 30 Sept 2024	7 November 2024
Self assessment	2023/24	6 April 2023 – 5 April 2024	31 January 2025
MTD ITSA trade	2024/25	Q3: 1 Oct 2024 – 31 Dec 2025	5 February 2025
MTD ITSA property	2024/25	Q3: 6 Oct 2024 – 5 Jan 2025	5 February 2025
MTD VAT	2024/25	Q3: 1 Oct 24 – 31 Dec 2024	7 February 2025
MTD ITSA trade	2024/25	Q4: 1 Jan– 31 March 2025	5 May 2025
MTD ITSA property	2024/25	Q4: 6 Jan– 5 April 2025	5 May 2025
MTD VAT	2024/25	Q4: 1 Jan 25 – 31 March 2025	7 May 2025
MTD ITSA trade	2025/26	Q1:1 April 2025 – 30 June 2025	5 August 2025
MTD ITSA property	2025/26	Q1: 6 April 2025 – 5 July 2025	5 August 2025
MTD VAT	2025/26	Q1: 1 April 25 – 30 June 2025	7 August 2025
MTD ITSA trade	2025/26	1 July 2025 – 30 September 2025	5 November 2025
MTD ITSA property	2025/26	6 July 2025 – 5 Oct 2025	5 November 2025
MTD VAT	2025/26	Q2: 1 July 25 – 30 Sept 2025	7 November 2025
MTD ITSA trade	2024/25	EOPS: 5 April 2024 – 6 April 2025	31 January 2026
MTD ITSA property	2024/25	EOPS: 5 April 2024 – 6 April 2025	31 January 2026
MTD ITSA 2024/25	2024/25	Finalisation: 6 April 2024 – 5 April 2025	31 January 2026

MTD compatible software

The taxpayer or their tax agent must have access to MTD-compatible software to file reports under MTD ITSA. This software needs to be authorised to submit returns for the particular taxpayer, either by the taxpayer themself or by their tax agent.

HMRC has said it will not provide MTD-compatible software to allow businesses and landlords to submit their MTD reports. However, it expects the market to provide free MTD software to the simplest businesses, which are not VAT-registered and have no employees.

A list of providers of MTD ITSA-compatible software can be found here: https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax

Penalties for non-compliance

A new penalty regime to encourage taxpayers to file their MTD reports on time will apply for VAT periods starting on and after 1 January 2023, and for filings under MTD ITSA from 6 April 2024.

Instead of receiving an immediate penalty for filing a report late, the taxpayer is issued a point. When the taxpayer has accrued sufficient points for late reports, a financial penalty of £200 is imposed. Every late submission after that threshold has been breached will trigger another £200 fine, but those additional penalties will not add points to the points slate.

The points thresholds depend on the submission frequency of the required reports, as does the ‘period of compliance' (explained below).

Submission frequency	Penalty threshold	Period of compliance
Annual	2 points	24 months
Quarterly	4 points	12 months
Monthly	5 points	6 months

The taxpayer will accrue separate penalty totals for MTD VAT and MTD ITSA, which do not affect each other, but they are based on the same rules.

The points slate can only be wiped clean when the taxpayer achieves both:

- no late submissions for a period of compliance; and
- all returns filed for the previous 24 months, even if they have been filed late.

The period of compliance varies with the submission frequency of the return as shown in the table above. All points and penalties can be appealed.

How we can help

The first step towards complying with MTD will be to get all your accounting records into a digital format, if they are not already. You may need to buy (or upgrade existing) computer systems and consider what sort of software will be required.

We can help you with the initial transition to digital records and to set up software to submit reports to HMRC.

Alternatively, we can help you transfer your accounting data to us so that we can submit MTD reports on your behalf.

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