

TAX

Making Tax Digital For Income Tax Self Assessment

**BACKGROUND**

Making Tax Digital (MTD) is HMRC's initiative to digitise the UK tax system through the phasing of new digital tax recording and reporting requirements. It is designed to make sure that our UK tax system is effective and efficient for tax payers in an ever changing digital world.

Under MTD, businesses and other taxpayers need to use HMRC - compliant software and processes to submit information digitally every quarter.

MAKING TAX DIGITAL FOR VAT

Since the 1st April 2022, all VAT - registered businesses were required to comply with the MTD regime for their VAT accounting.

This impacted around 1.1m UK businesses that are registered for VAT with taxable turnover below the current threshold of £85,000.

**MAKING TAX DIGITAL FOR INCOME TAX
(MTD FOR ITSA)**

Self - employed businesses and landlords with annual business or property income above £10,000 will need to follow the rules for MTD for Income Tax from accounting periods starting on or after 6 April 2024.

This is the next important phase of MTD and like the requirement for VAT, it will require self-employed businesses and landlords to report income using compliant software on a quarterly basis.

MTD FOR ITSA TIMELINE

- April 2023: This is the date from which it is anticipated most clients will start signing up for MTD ITSA. It is also the start of the transition year for businesses having to undertake basis period reform.
- April 2024: MTD ITSA becomes a legal requirement for self-employed traders and landlords with gross income over £10,000 per annum
- April 2024: The start of the new basis period reform for businesses that had to undertake basis period reform.
- April 2025: MTD ITSA becomes a legal requirement for general partnerships (those comprising only individuals) that earn over £10,000 per annum.



MTD FOR ITSA - WHAT WILL I HAVE TO DO UNDER THE NEW RULES?

if you are a self-employed business owner and/or landlord and you're affected by MTD for Income Tax, you will have to take the following actions from 6th April 2024:

- Keep records of your business income and expenses in a digital format
- For each type of revenue (self-employed business or property), send quarterly updates of your business income and expenses to HMRC
- Finalise your business income by submitting an end of period statement (EOPS) for each source of income along with a final declaration

KEEPING DIGITAL RECORDS

Under MTD for Income Tax, you will need to keep digital records for all your business income and expenses, including all your income from self-employment or property.

You are able to keep digital records using accounting software such as: Quickbooks, Sage, Free Agent and Xero.

SEND QUARTERLY UPDATES

Once you are signed up to MTD for Income Tax, you'll need to send a summary of your business income and expenses to HMRC every three months using MTD-compatible software.

The key deadlines for submitting updates will be the same for everyone who has to follow the MTD for Income Tax rules. These deadlines are:

- 5th August
- 5th November
- 5th February
- 5th May

GET IN TOUCH

Chichester
01243 531 600
chichester@mooresouth.co.uk

Guildford
01483 538 881
guildford@mooresouth.co.uk

Isle of Wight
01983 825 000
newport@mooresouth.co.uk

Salisbury
01722 335 182
salisbury@mooresouth.co.uk

Southampton
02380 330 116
Southampton@mooresouth.co.uk

www.mooresouth.co.uk

FINALISE YOUR BUSINESS INCOME

At the end of the tax year, you will need to finalise your business income by completing an end of period statement (EOPS) for each source of income, along with a final declaration that replaces the current Self Assessment Tax return.

This process will let you confirm that the updates you have sent are correct and to add any details about personal income or reliefs or make any other necessary adjustments.

Following the same rules as the current Self Assessment process, you will have to submit the EOPS and final declaration and pay the tax you owe by 31st January of the following tax year.

HOW WE CAN HELP

Although 2024 may seem like it is currently along time away it will soon come around. There are many things that you will need to consider, therefore early planning is recommended.

It is important to speak with an accountant when looking to choose an MTD compatible software.

Working with Moore (South) we can give you access to our cloud accounting specialists who are there to guide and train you on cloud accounting software best suited to you and your business.