

MAKING TAX DIGITAL



HMRC's Making Tax Digital initiative will be the most significant change to impact taxpayers and their advisers since the introduction of Self-Assessment.

What is the Making Tax Digital initiative?

- It is HMRC's ambitious project to "remove the need to complete an annual Tax Return by 2020"
- Transformation of the entire UK tax system from forms-based to online
- Encompassing all taxes
- Includes a proposed requirement for all businesses and landlords to report quarterly accounting data online

What are HMRC's motivations?

- Make tax reporting less of a burden
- Create greater taxpayer engagement
- Give taxpayers a single picture of all tax liabilities and entitlements in one place
- Give businesses and landlords greater clarity on tax falling due

What will this mean for tax payers in general?

- Change in rhythms from annual to quarterly reporting
- All businesses and landlords will be required to use online accounting software to report transaction data quarterly to HMRC
- Less rekeying of data – HMRC will pre-populate tax accounts with information they already hold
- Taxpayer or their agent will be required to "check, confirm, correct, confess"

Who is likely to be affected and when?

Businesses, self-employed people and landlords will be required to start using the new digital service from:

- April 2018 for income tax and National Insurance contribution (NICs) purposes if your turnover is over the VAT threshold
- April 2019 for income tax and NICs purposes if your turnover is below the VAT threshold
- April 2020 for Corporation Tax (CT) purposes for everyone who pays CT

Businesses, self-employed people and landlords with turnovers under £10,000 are exempt from these requirements.

Those in employment who have secondary income of more than £10,000 per year through self-employment or property will also be required to use the digital service.

The MTD initiative will be affecting all businesses and tax payers over the next 5 years. We will do our best to make sure that you are kept informed of how the changes will affect you and of new developments to the initiative. However should you have any queries at any time then please do not hesitate to contact us.