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| MAKING TAX DIGITAL –  FAQs |

# Overview of Making Tax Digital

## **What is Making Tax Digital?**

Making Tax Digital, also known as “MTD” in a long-term initiative by HMRC. in simple terms, the current self-assessment tax return form (SA100) is being replace by a digital only process.

## **What are the changes?**

There are three aspects to MTD.   
Firstly, the need for “Digital Recordkeeping”, see the FAQ section below.  
Secondly, the need for information to be submitted to HMRC digitally (rather than via a tax return form). Some of this data needs to be submitted more frequently that currently.  
Finally, every UK taxpayer will have access to an HMRC online location called a “Personal Tax Account”, where you will be able to view and manage certain aspects of your tax affairs.

## **When do the changes take effect?**

The Personal Tax Account already exists.  
The other aspects of Making Tax Digital will come into force from April 2024 for affected individuals, and April 2025 for Partnerships

# Periods

## **What is a quarter?**

Regardless of the chosen accounting period, the quarter is aligned with the tax year. Therefore, for an affected individual, the first update would be for the period 6 April 2024 to 5 July 2024.

An election can be made to report to the nearest calendar month, which will be particularly useful for those trades who are VAT registered (and so already provide VAT updates for quarters aligned to a month end), or trades who use an accounting period ending on 31 March. Making the election would mean the quarter end dates will be 30 June, 30 September, 31 December, and 31 March.

# Taxpayers impacted

## **Who is Impacted?**

Any trader (either sole trader or partnership) or property landlord with income over £10,000 per annum.

## Is the £10,000 limit per source?

No. The limit applies to “mandated” income.

## What income is mandated?

Trading income and property income.

## How are the limits applied?

The £10,000 limit is a combined limit across both trading income and property income. The limit does not apply to non-mandated income.

For example, if you receive gross rental income of £6,000 and sole trade income of £5,000, then combined you are in receipt of mandated income over £10,000, and you are covered by the MTD requirements.

However, if you receive £6,000 rental income, and £5,000 employment income, then your mandated income is only £6,000, and so the MTD reporting rules do not apply to you.

## **What about partnerships?**

Partnerships deemed to be ‘simple’ (typically meaning no corporate partners) will be within the MTD regime from April 2025. Complex partnerships will align with the “MTD for Corporates” which will not be mandated before April 2026.

## **What about companies?**

It is expected that “MTD for Corporates” will not be mandated before April 2026.

# Digital Exclusion

## **What if I cannot handle “digital” processes?**

If HMRC agree that you are “digitally excluded”, then you are exempt from the MTD reporting requirements.

## What does “Digitally Excluded” mean?

If HMRC agree that it is not practical for you to use digital tools by reason of age, disability or location, then you do not need to follow the MTD reporting requirements. There is no prescribed criteria (specifically about age) as to why you can be excluded. An example cited is if remoteness of location means you do not have internet access at home, and it would be unreasonable to travel to a location with coverage.

## **What if I do not want to take part?**

Unfortunately, unless you are Digitally Excluded, or exempt for some other reason, you are expected to submit MTD data, as required.

Recordkeeping

## What is “Digital Recordkeeping”

Part of MTD requires records to be kept using Digital Tools. These tools will either be capable of interacting directly with HMRC to make submissions or will be linked to other tools that make the submission.

# Submissions

## **How long do I have to make the quarterly submission?**

One calendar month from the end of the quarter.

## **How long do I have to make the annual submission?**

Annual information related to the tax year needs to be provided by 31 January following the tax year, as now

## **What income is submitted quarterly?**

Only income and expenses in relation to trading income and rental income is required quarterly. Further information can optionally also be provided but is not required.

## **Does the quarterly data need to be the equivalent of accounts?**

No. The quarterly submission is supposed to be an overview of income and expenses, as recorded in the recordkeeping. HMRC do not have the expectation that accounting adjustments or a formal review of accuracy will be undertaken.

The quarterly submission demonstrates that records are being kept.

## **What income is submitted annually?**

In simple terms – anything that would go onto a tax return today, needs to be submitted annually via MTD (for those taxpayers covered by the MTD process). For example, a sole trader who is within MTD, who also received bank interest, dividends, and makes pension contributions would need to provide this data as part of their annual submission.

## **What about joint income (e.g. joint rental income)?**

This is still not fully confirmed, but joint rental income will have a designated recordkeeper who will be responsible for making the quarterly submission on behalf of all recipients.

## **Who is responsible for making a partnership submission?**

Today, one partner is nominated to sign the partnership tax return on behalf of the partnership. This process of having a nominated partner will continue for quarterly submissions under MTD.

Personal Tax Account

## What is the Personal Tax Account?

It is part of the HMRC website, where you can securely log-in to manage your tax affairs.

## What functionality does the Personal Tax Account have?

There is quite a bit of functionality on offer.

* As an employee, you can view your current earnings and tax
* You can view your most recent tax code
* You can also view this information for recent closed tax years
* You can make a request to HMRC to make adjustments to your tax code
* You can receive a forecast of state pension entitlement, and view your National Insurance record

## How do I access it?

Visit <https://www.gov.uk/personal-tax-account> to get started

## Is it secure?

Yes. The details behind how the system works, and why it is secure can be found: <https://www.gov.uk/government/publications/introducing-govuk-verify>