



MAKING TAX DIGITAL – FAQs

Overview of Making Tax Digital

What is Making Tax Digital?

Making Tax Digital, also known as “MTD” is a long-term initiative by HMRC. In simple terms, the current self-assessment tax return form (SA100) is being replaced 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 than 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 exists already.

The other aspects of Making Tax Digital will come into force by April 2023.

Periods

What is a quarter?

For trading income, the quarter dates are based on your usual annual accounting date. For example, if you normally prepare accounts to 30 April each year, then your “quarter dates” are 31 July, 30 October, 31 January, 30 April.



It is worth noting that periods and quarters for trading income are currently being considered by an open consultation, so are subject to change.

For property landlords, the quarter dates are aligned with the tax year, and so are 5 July, 5 October, 5 January and 5 April.

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 Sole trade 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 companies?

Companies are excluded from the current MTD rules. 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.

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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.

Is 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.

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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

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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>

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