


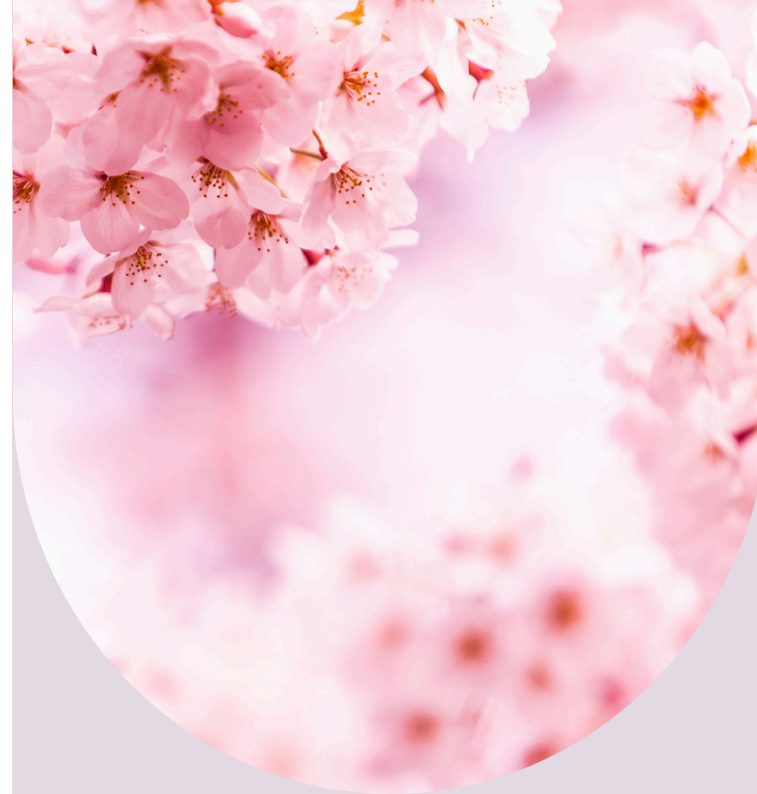


Getting prepared:

-  Start planning now, don't leave it until the last moment.
-  Get your 2024/2025 Self-Assessment filed as early as possible to identify which start date will apply to you.
-  Open a separate bank account for your business, if you don't already have one.
-  Invest in MTD compatible accounting software and learn how to use it.
-  Consider using a receipt capture app, especially if you have lots of receipts while you are out and about.
-  To keep up to date, maintain your records at least monthly.
-  Budget for your tax bill, saving throughout the year will avoid worry over the January payment.
-  Seek professional advice, if you're not sure talk to a bookkeeper.



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An Introduction to Making Tax Digital for Income Tax



If you're self-employed or a landlord, you need to know about Making Tax Digital (MTD) for Income Tax.

What is it?

MTD for Income Tax changes the way you need to report your earnings to HMRC and will effectively replace the current system of annual Self-Assessment tax returns.

HMRC's goal is to transform the UK tax system into one of the most digitally advanced administrations in the world and to make it easier for individuals and businesses to get their tax right. They started by introducing MTD for VAT in 2022, and MTD for Income Tax is next.

When will it start?

MTD for Income Tax is being phased in based on your combined turnover (*not profit*) during the 2024/2025 tax year and will start from:

- April 2026 for combined turnover over £50,000
- April 2027 for combined turnover over £30,000
- April 2028 for combined turnover over £20,000
- Under £20,000, no date set yet

This doesn't include income from other sources such as PAYE and dividends.

What do you have to do?

Get signed up - First you will need to sign up to MTD for Income Tax, or if you have a bookkeeper or accountant, they will be able to do this for you.

Keep digital records - there will be a legal requirement to use MTD compatible software to maintain detailed records of all business or property income and expenses, categorised in line with tax reporting. Every transaction must be recorded, such as invoices, receipts and expenses in a digital format.

Report Quarterly - a summary of your business income and expenses will need to be submitted to HMRC every three months. If you have self-employment and rental income you will need to report each separately.

Make a Final Declaration - after the end of the tax year, you will need to finalise your income tax position by submitting a final declaration to confirm the totals reported during the year and to adjust for any differences.

Reporting deadlines are:

- 7th August for April-June period
- 7th November for July-September period
- 7th February for October-December period
- 7th May for January-March period

You will also need to submit the final declaration and pay the tax you owe by the 31st January of the following tax year.

Are there penalties?

If you miss the submission deadline for a quarterly return, you will get one penalty point. You will only receive a financial penalty if you incur four penalty points.

Will you pay quarterly?

No, you will still need to pay by the 31st January of the following year.

Will you pay more tax?

No, the way your tax is calculated will remain the same, it's only the way you report to HMRC that will change.

**Any questions?
Get in touch**