

## Making Tax Digital

### What is MTD?

Making Tax Digital (MTD) is a government initiative to modernise HMRC's tax system, with the aim of making the whole process of administering tax simpler and more efficient. All of your tax information will be in one place (your digital account) and you will be able to pay tax based on your business activity during the year. You can upload and update your tax account in real time.

### Will it affect me?

If you own a business, you are self-employed and you pay income tax, national insurance, VAT or corporation tax then it is quite likely you will be affected. This means you could be required to keep track of your tax affairs digitally using MTD compatible software, and to update HMRC at least quarterly via your digital tax account. This will be the law and there will be penalties for non-compliance.

### When is all this happening?

MTD for VAT has already started and has been "live" since April 2019. It started with businesses above the VAT threshold limits (currently £85,000).

**From the 1 April 2022, MTD for VAT will apply to all VAT registered businesses regardless of the level of turnover.**

The first VAT period to which MTD applies to all VAT registered businesses (who are not already doing so) will be the one commencing on or after 1 April 2022.

### MTD for income tax

**MTD for income tax should become law from 6 April 2023. MTD for income tax will apply to the self-employed, partnerships and to those who receive income from property, with gross income from these sources above a threshold of £10,000.**

### What do I have to do?

For most businesses, this means a move away from desktop and onto Cloud-based accounting software. You are required to choose digital (Cloud) software to maintain your business records and to provide updates of information to HMRC. Currently for MTD for VAT, the use of spreadsheets is still permitted, but we cannot confirm that this will always be available. As your accountant and tax agent, we can advise you on the software you will need and how to comply with the new quarterly reporting requirements.

