



# **PURCELL ACCOUNTANTS**

## **Commercial Finance & Wealth Management**

### **MTD for ITSA – Making Tax Digital for Income Tax Self-Assessment**

#### **What is it?**

Making Tax Digital (MTD) for Income Tax, also known as MTD for Income Tax Self-Assessment (MTD for ITSA), will change the way millions of business owners and landlords report their earnings to HMRC. If you are wondering how this might affect you, here is a simple guide to the new rules.

#### **Making Tax Digital: the story so far**

Making Tax Digital is a government initiative that sets out a bold vision for the UK to have “one of the most digitally advanced tax administrations in the world”. It promises to “transform tax administration so that it is easier for taxpayers to get their tax right”.

The first stage of Making Tax Digital, MTD for VAT, began in 2019. It first required certain VAT-registered businesses to keep their digital records and use MTD-compatible software to submit their VAT returns electronically. The scope of MTD for VAT expanded on 1st April 2022 and all VAT-registered businesses are now required to follow these rules.

MTD for Income Tax is the second stage of Making Tax Digital and will replace the current system of annual Self-Assessment tax returns. MTD for Income Tax will come into effect in April 2024 for self-employed business owners and landlords, and in April 2025 for partnerships with individual partners. Other types of partnership will join at a future date.

MTD for Corporation Tax is expected to be the next stage in the initiative, although HMRC has advised that this will not come into effect until 2026 at the earliest.

#### **What is changing under MTD for Income Tax?**

The most significant change under the MTD for Income Tax rules is that instead of sending a Self-Assessment tax return to HMRC once a year, those affected will have to submit four quarterly updates about their business income and expenses. At the end of the tax year, they will also have to send an end of period statement (EOPS) and a final declaration.

#### **Who will MTD for Income Tax affect?**

Initially, MTD for Income Tax will affect self-employed business owners and landlords with a total business and/or property income above £10,000 per year. These individuals will have to follow MTD for Income Tax rules from 6th April 2024.



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Partnerships with individuals as partners will have to follow the rules from 6th April 2025. HMRC has advised that limited liability partnerships (LLPs) and partnerships with corporate partners will be required to join at a future date yet to be confirmed.

There are a very few exceptions for those digitally excluded but you must comply with certain criteria and apply for exemption to HMRC.

### What will I have to do under the new rules?

If you are a self-employed business owner and/or landlord and you are affected by MTD for Income Tax, you will have to take the following actions from 6th April 2024:

- Keep records of your business income and expenses in a digital format.
- For each type of revenue (self-employed business or property), send quarterly updates of your business income and expenses to HMRC.
- Finalise your business income by submitting an end of period statement (EOPS) for each source of income along with a final declaration.

#### ✓ Keep digital records

Under MTD for Income Tax, you will need to keep digital records of all your business income and expenses, including all your income from self-employment or property. It is a good idea to start doing this as soon as possible so that you have plenty of time to prepare.

We use QuickBooks as our preferred provider, and offer good deals and ease of use to save you both time and money

#### ✓ Send quarterly updates

Once you are signed up to MTD for Income Tax, you will need to send a summary of your business income and expenses to HMRC every three months using MTD-compatible software. We will ensure your software is working with HMRC to ensure that it will support MTD for Income Tax submissions ahead of the expansion of the pilot scheme in the 2022-23 tax year.

The deadlines for submitting quarterly updates will be the same for everyone who must follow the MTD for Income Tax rules. From the start of the tax year on 6th April, these deadlines are:

5th August

5th November

Purcell Accountants is a trading name of Purcell Investments Limited. Registered in England No. 05051675

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5th February

5th May

### ✓ Finalise your business income

At the end of the tax year, you will need to finalise your business income by completing an end of period statement (EOPS) for each source of income, along with a final declaration that replaces the current Self-Assessment tax return.

This process lets you confirm that the updates you have sent are correct, and to add any details about personal income or reliefs or make any other necessary adjustments. As with the current Self-Assessment process, you will have to submit the EOPS and final declaration and pay the tax you owe by 31st January of the following tax year.

### How do I sign up for MTD for ITSA?

You need to sign up for MTD for ITSA through your cloud-based software, we can do that for you. Instead of on the HMRC website. This means that you will need HMRC-approved software in place ahead of time. At Purcell Accountants we offer QuickBooks & Xero as our main providers.

### How we help you...

These are big changes to how Self-Assessment operates and how you report it. We are here to help you every step of the way, but ultimately to save you both time and money on the switch over to digital record keeping.

We are looking to get you on the digital platform earlier rather than later, therefore you can get used to the system and learn how it works best to save you both time and money.

[Speak to us today](#) to see how we can help you, get you on-boarded and get you flying down the digital highway!



**MTD ITSA**  
HMRC Recognised



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