

FACTSHEET



Making Tax Digital for Income Tax Self Assessment

Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) forms part of the UK Government's initiative to digitise the tax system to make it easier for taxpayers to submit information to HMRC and to eliminate errors. It will change the way sole traders, landlords and partnerships report their income to HMRC and will replace the annual Self Assessment Tax Return.

From 6 April 2024 all sole traders and landlords who earn income or rents in excess of £10,000 will be required to submit their information to HMRC through MTD-compatible software.

From 6 April 2025, MTD for ITSA becomes mandatory for partnerships comprising only individuals with an income of £10,000 or more.

What Are the Changes?

Instead of submitting a yearly Tax Return to HMRC, you will have to submit four quarterly updates, an End of Period Statement and a Final Declaration.

What Do I Need to Do?

If you are a sole trader or landlord and earn over £10,000 per annum, you are required to:

- keep records of your business income and expenses in a digital format using MTD-compatible software;
- for each business that you own, you will need to send quarterly updates of your business income and expenses to HMRC;
- Finalise business income by sending an End of Period Statement (EOPS) and a Final Declaration.

Quarterly Submissions

For each business, you will have to submit a summary of the income and expenses for the following quarters:

- **Quarter 1:** 6 April to 5 July, will have a filing deadline of 5 August.
- **Quarter 2:** 6 July to 5 October, will have a filing deadline of 5 November.
- **Quarter 3:** 6 October to 5 January, will have a filing deadline of 5 February.
- **Quarter 4:** 6 January to 5 April, will have a filing deadline of 5 May.

End of Period Statement (EOPS)

You will need to submit an EOPS for each business which will include accounting and tax adjustments needed to finalise your tax position. You will need to submit this by 31 January.

Final Declaration

This will finalise your tax position for the year. You only need to submit one Final Declaration per taxpayer and this replaces the Self Assessment Tax Return. You have to submit this by 31 January.



However, before you submit the Final Declaration, you need to make sure you have:

- submitted four quarterly updates for the tax year;
- finalised your EOPS for each business;
- provided all your income for that tax year such as interest and dividends;
- provided any relevant additional information.

Penalties for Late Submission

If you don't pay the tax you owe on time or if you miss the deadline for submitting your Final Declaration, you may have to pay a penalty. A new points based penalty system is being introduced by HMRC from 6 April 2024.

Exemptions

You can apply directly to HMRC for an exemption if you can prove that it is not practical for you to use computers, software or the internet. This will relate to:

- age;
- disability;
- you object to using computers on religious grounds;
- you are running your business from a remote geographical location.

Applications will be considered on a case-by-case basis.

Other exemptions include:

- non-resident businesses;
- trustees, executors and administrators;
- foreign businesses of non-UK domiciled individuals;
- those in a Limited Partnership or Limited Liability Partnership.

NB: HMRC is yet to release information on how to apply for an exemption.

How Can We Help You?

We recommend that you start preparing now to make the transition easier and so that you fully understand your MTD for ITSA obligations.

Our MTD for ITSA experts can help you set up MTD-compliant software, provide training and help you manage the quarterly submissions to HMRC.

Contact Peter Alvarez, Tax Director, on 0161 761 5231 or email theteam@horsfield-smith.co.uk.

