

MAKING TAX DIGITAL (MTD)

The Government has published an overview of Making Tax Digital. The big news is that all VAT registered businesses with VAT turnover below £85,000 will be required to follow MTD rules for returns filed on or after April 2022. That might sound a long way off, but we strongly recommend you taking action now so that you are well prepared for the changes.

Making Tax Digital for VAT

VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000) are now required to follow the Making Tax Digital rules by keeping digital records and using software to submit their VAT returns.

If you are below the VAT threshold you can voluntarily join the Making Tax Digital service now. VAT-registered businesses with a taxable turnover below £85,000 will be required to follow Making Tax digital rules for their first return starting on or after April 2022.

Making Tax Digital for Income Tax

Self-employed businesses and landlords with business turnover above £10,000 will need to follow the rules for MTD for Income Tax from their next account period starting on or after 6 April 2023.

Some businesses and agents are already keeping digital records and providing updates to HMRC as part of a live pilot to test and develop the Making Tax Digital service for Income Tax. If you are a self-employed business or landlord you can voluntarily use software to keep business records digitally and send Income Tax updates to HMRC instead of filing a Self-Assessment tax return.

See: <https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital>