

# Introduction to Making Tax Digital

May 2017

**Making Tax Digital (MTD) is a government initiative that sets out a vision for transforming the tax administration system. Despite its sudden withdrawal from the Finance Bill 2017, we believe it has not been abandoned but merely put on hold.**

The aim of MTD is to encourage digital record keeping, reduce errors, and to make tax administration more effective, efficient and easier for taxpayers through the implementation of a fully digital tax system.

## How does MTD affect me?

### Individuals

HMRC intends to make better use of the information, which is already gathered from various external sources. The government is developing an online Personal Tax Account that will show all the information HMRC holds in respect of your tax affairs.

As the Personal Tax Account develops over time, individuals will be able to manage their tax affairs online, quickly and simply so there will no longer be a need to complete Self-Assessment Tax Returns.

### Businesses and landlords

It is intended that businesses will receive a modern, digital experience from HMRC. Self-Assessment Tax Returns will be replaced with a requirement to file quarterly, summary updates of income and expenses with HMRC via a new digital service. There will also be an end of year report to HMRC, which will finalise the tax position for the year.

## When will MTD affect me?

### Individuals

The government intends to phase out Self-Assessment Tax Returns by 2020. The Personal Tax Account system is already live and can be used to access a range of HMRC services.

### Businesses and landlords

Businesses, self-employed individuals and landlords will be required to start using the new digital service from the following dates:

- April 2018 – Unincorporated businesses and landlords with turnover in excess of the VAT threshold (currently £85,000).
- April 2019 – Unincorporated businesses and landlords with turnover between £10,000 and the VAT threshold (currently £85,000).
- April 2019 – If they are registered for VAT.
- April 2020 – If they pay Corporation Tax.

There is an exemption from the MTD requirements for businesses and landlords with turnover below £10,000.

There will also be exemptions for those who genuinely cannot engage digitally due to age, disability, geographical location or other reasons.

## What do I need to do now?

There is no action that you need to take immediately.

## Will I be able to get help with MTD?

MTD will be a major change to the administration of taxes and how HMRC, professional advisers and taxpayers interact.

We intend to keep our clients informed of how these changes will affect them and to provide support in the run up to MTD's introduction, during the transitional periods and subsequent years.

For further information, please contact your Wilkins Kennedy adviser.

[www.wilkinskennedy.com](http://www.wilkinskennedy.com)

### Update on MTD's withdrawal from Finance Bill

On 25 April 2017, the government removed MTD from the Finance Bill 2017. The consensus view in the accountancy profession is that MTD has not been abandoned, but simply put on hold until after the general election. We will have to wait until then to discover what changes, if any, are proposed to the original details.