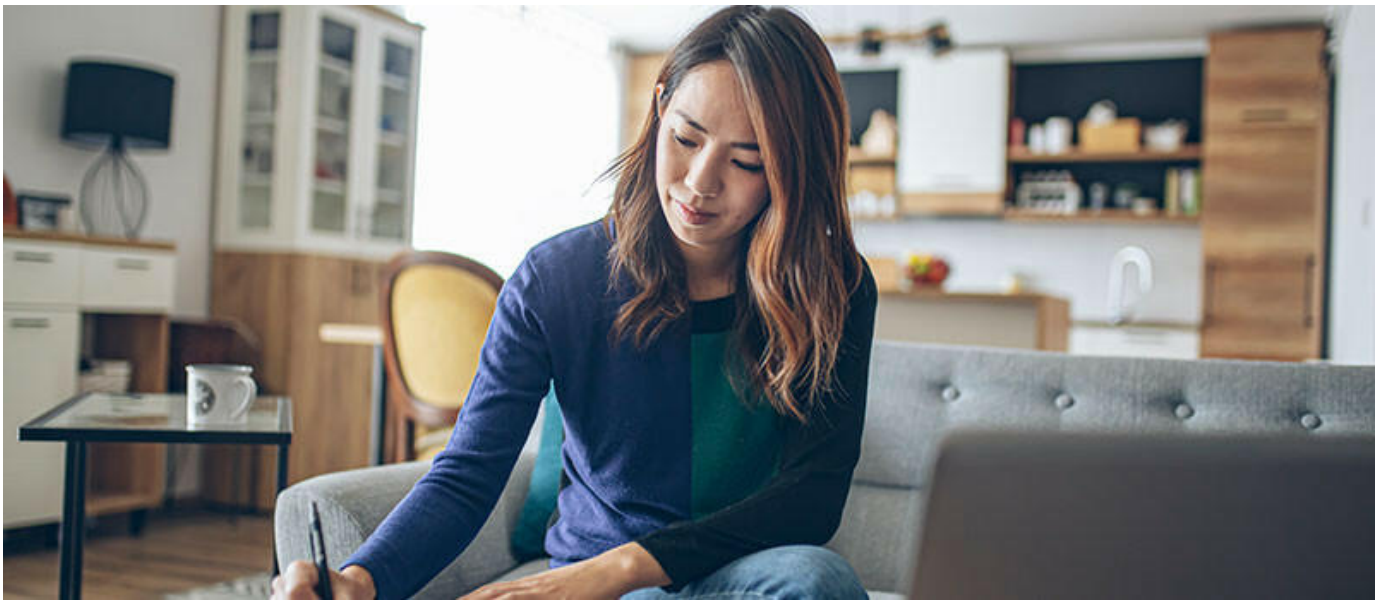
Making Tax Digital for Income Tax Self-Assessment: key points to note

Personal tax OMB



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The announcement in December 2022 that Making Tax Digital for Income Tax would not only be postponed, but that the thresholds would be increased and staggered, was welcome news. However, nothing else about the proposed rollout has changed and concerns still remain.

HMRC gave sole traders and landlords an early Christmas present in December 2022. The original April 2024 mandation date for Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) was fast approaching but it was apparent that the infrastructure simply would not be ready in time. The take-up of the pilot remained very low, there was a very limited range of software ready to go, little guidance from HMRC, and the CIOT, ATT and others had warned of the lack of readiness and ignorance amongst affected taxpayers (www.tax.org.uk/taxpayers_unready). Concerns also existed about the burdens on taxpayers, having to submit at least one set of quarterly reports and End of Period Statement (EOPS) followed by a Final Declaration; likewise, the changes to basis periods from 2023/24 was causing some

concern from businesses without March year-ends. However, CIOT and ATT remain in constant communication with HMRC about the progress of these developments.

On 19 December 2022, HMRC announced that the £10,000 turnover threshold would become £50,000 from April 2026 and £30,000 in 2027. In addition, the mandation date for general partnerships, due to be 2025, was also postponed to a later date which is yet to be confirmed. HMRC will widen the pilot with a view to having it as open as possible by 2025/26. For those businesses/landlords with a turnover of less than £30,000, the government will review the position and how (and if) MTD can assist them.

Whilst this is indeed welcome news for taxpayers and their agents, these were the only changes announced. In particular, the changes to the basis period rules to align with the tax year are still going ahead, despite the MTD postponement. 2023/24 is still the transition year with the 'current year basis' of taxation ending from April 2024. For those businesses with a 31 March or 5 April year-end, this will make no difference, but those with accounting periods ending in other months will have to submit their tax returns based upon two sets of accounts – the latter of which may not have been finalised, meaning that estimates may be required. There had been some concern about how HMRC will treat these apportionments and estimates, and it was recently confirmed that changes to provisional figures can be made within the existing amendment timeframe.

Another concern lies with quarterly reporting. It appears that nothing about this has changed either, nor the data sets requirement for UK/non-UK and furnished holiday lettings (FHL)/non-FHL properties, nor even the concept of quarterly reporting itself. The CIOT, ATT and other professional bodies have, for some time, been calling on HMRC to allow any errors made during quarterly reporting to be remedied in the following quarter's return; i.e. for the reports to be cumulative. However, the rules currently state that each quarter's return must be correct and complete upon submission.

Other longstanding issues, which are yet to be resolved, include the involvement of multiple agents. Currently, HMRC's system will not allow for more than one agent in an individual's tax affairs, so there cannot be a 'file-only' agent. The only alternative currently is for the client themselves to complete quarterly reporting and allow the agent to focus on the EOPS and final declarations. However, uncertainty remains about how the client and agent's software can tie in together, and with HMRC's. Also

uncertain is precisely how the income and expenditure of jointly-owned properties are to be reported.

HMRC insist that they are aware of these concerns and that they are open to reviewing the fundamentals of MTD for ITSA. Only time will tell whether this will lead to any further changes. However, CIOT and ATT will continue with their engagement with HMRC, who have been very keen to share details of progress and have been very receptive to the feedback we have given. Members should continue to forward to CIOT and ATT any feedback which they would like us to share with HMRC on MTD for ITSA matters. Practical examples of client issues can only help with further reform and ensure that future developments are as constructive as these recent changes.

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