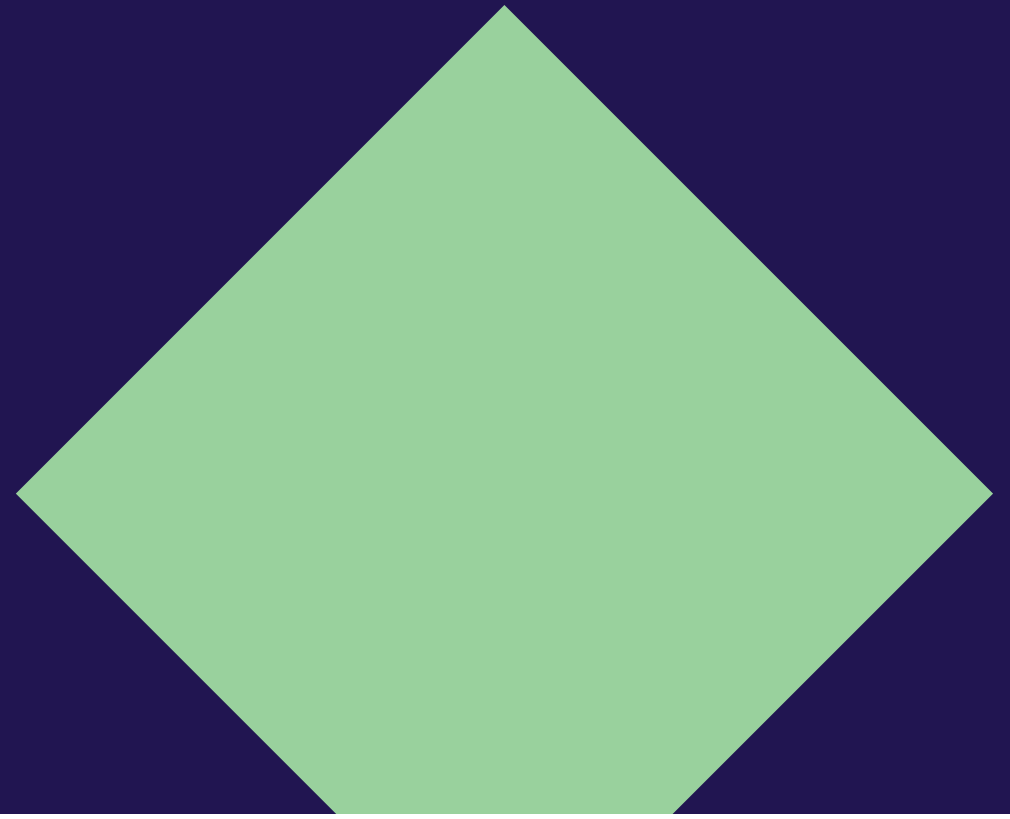


Making Tax Digital for Income Tax (MTD IT)

20 November 2024

**Kilsby
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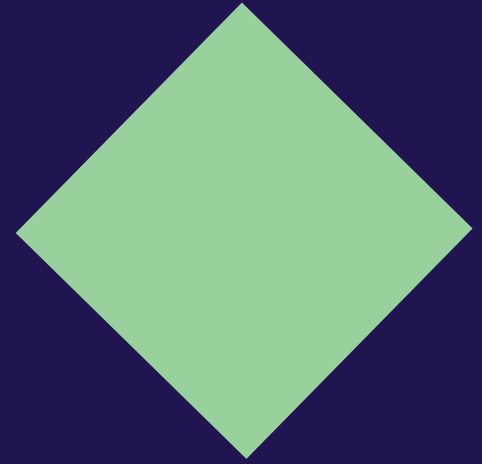
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Agenda

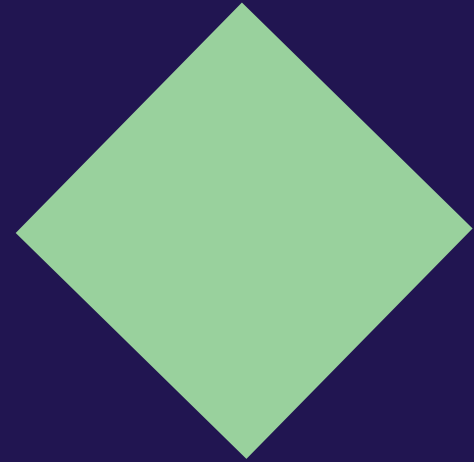
- ◆ Why we are here
- ◆ Current and expected filing requirements
- ◆ Record keeping
- ◆ Key considerations
- ◆ Current situation – private and public testing
- ◆ Next steps
- ◆ Questions

KW.



Why are we here?

- ◆ Budget 2015 – George Osborne announces ‘death of the tax return’
- ◆ “complex, costly and time consuming””starting next year”
- ◆ Original intention to implement for IT, VAT and CT by 2020/21
- ◆ MTD VAT online began in April 2019 and now mandatory for all since April 2022
- ◆ Continued long delays with MTD IT and NAO estimate costs to be £1.3bn
- ◆ Costs to taxpayers of complying expected to be £900m
- ◆ MTD IT – Autumn Budget 2024 confirmed new Government’s commitment



Self-employment (full)

Tax year 6 April 2023 to 5 April 2024 (2023–24)

Please read the 'Self-employment (full) notes' to check if you should use this page or the 'Self-employment (short)' page. For help filling in this form, go to www.gov.uk/taxreturns and read the notes and help sheets.

Your name <input type="text"/>	Your Unique Taxpayer Reference (UTR) <input type="text"/>
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Business details

<p>1 Business name – unless it's in your own name</p> <input type="text"/>	<p>6 If your business started after 5 April 2023, enter the start date. DD MM YYYY</p> <input type="text"/>
<p>2 Description of business</p> <input type="text"/>	<p>7 If your business ceased after 5 April 2023 but before 6 April 2024, enter the final date of trading. DD MM YYYY</p> <input type="text"/>
<p>3 First line of your business address – unless you work from home</p> <input type="text"/>	<p>8 Date your books or accounts start – the beginning of your accounting period. DD MM YYYY</p> <input type="text" value="06 04 2023"/>
<p>4 Postcode of your business address</p> <input type="text"/>	<p>9 Date your books or accounts are made up to or the end of your accounting period – read the notes if you have filled in box 6 or 7. DD MM YYYY</p> <input type="text" value="05 04 2024"/>
<p>5 If the details in boxes 1, 2, 3 or 4 have changed in the last 12 months, put 'X' in the box and give details in the 'Any other information' box</p> <input type="checkbox"/>	<p>10 If you use cash basis, money actually received and paid out, to calculate your income and expenses, put 'X' in the box</p> <input type="checkbox"/>

Other information

<p>11 Boxes 11 and 12 are not in use</p> <input type="checkbox"/>	<p>12 If you provided the information about your 2023–24 profit on last year's tax return, put 'X' in the box</p> <input type="checkbox"/>
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Business income

<p>13 Your turnover – the takings, fees, sales or money earned by your business</p> <input type="text" value="0"/>	<p>14 Any other business income not included in box 13</p> <input type="text"/>
<p>13.1 Trading income allowance – read the notes</p> <input type="text"/>	

Property income

Do not include furnished holiday lettings, Real Estate Investment Trust or Property Authorised Investment Funds dividends/distributors here.

<p>20 Total rents and other income from property</p> <input type="text"/>	<p>21 Tax taken off any income in box 20</p> <input type="text"/>
<p>20.1 Property income allowance – read the notes</p> <input type="text"/>	<p>22 Premiums for the grant of a lease – from box E on the working sheet</p> <input type="text"/>
<p>20.2 If you've used traditional accounting rather than cash basis to calculate your income and expenses, put 'X' in the box</p> <input type="checkbox"/>	<p>23 Reverse premiums and inducements</p> <input type="text"/>

Property expenses

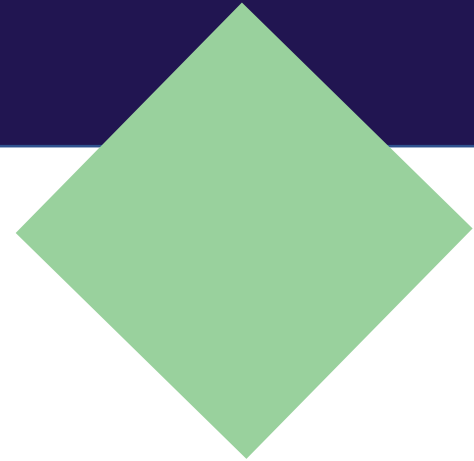
<p>24 Rent, rates, insurance and ground rents</p> <input type="text"/>	<p>27 Legal, management and other professional fees</p> <input type="text"/>
<p>25 Property repairs and maintenance</p> <input type="text"/>	<p>28 Costs of services provided, including wages</p> <input type="text"/>
<p>26 Non-residential property finance costs</p> <input type="text"/>	<p>29 Other allowable property expenses</p> <input type="text"/>

Calculating your taxable profit or loss

<p>30 Private use adjustment</p> <input type="text"/>	<p>37 Rent a Room exempt amount</p> <input type="text"/>
<p>31 Balancing charges</p> <input type="text"/>	<p>38 Adjusted profit for the year – use the working sheet in the notes</p> <input type="text"/>
<p>32 Annual Investment Allowance</p> <input type="text"/>	<p>39 Loss brought forward used against this year's profits</p> <input type="text"/>
<p>33 The Structures and Buildings Allowance</p> <input type="text"/>	<p>40 Taxable profit for the year (box 38 minus box 39)</p> <input type="text"/>
<p>33.1 Electric charge-point allowance</p> <input type="text"/>	<p>41 Adjusted loss for the year – use the working sheet in the notes</p> <input type="text"/>
<p>33.2 Freeport and Investment Zones Structures and Buildings Allowance</p> <input type="text"/>	<p>42 Loss set off against 2023–24 total income – this will be unusual</p> <input type="text"/>
<p>34 Zero-emission goods vehicle allowance</p> <input type="text"/>	<p>43 Loss to carry forward to following year, including unused losses brought forward</p> <input type="text"/>
<p>34.1 Zero-emission car allowance</p> <input type="text"/>	<p>44 Residential property finance costs</p> <input type="text"/>
<p>35 All other capital allowances</p> <input type="text"/>	<p>45 Unused residential property finance costs brought forward</p> <input type="text"/>
<p>36 Costs of replacing domestic items – for residential lettings only</p> <input type="text"/>	

Gross Income

- ◆ Gross combined income £50,000
 - ◆ Quarterly reporting mandated from 6 April 2026
- ◆ Gross combined income £30,000
 - ◆ Quarterly reporting mandated from 6 April 2027
- ◆ Gross combined income £20,000:
 - ◆ Quarterly reporting mandated from end of this parliament (anticipated to be April 2028)

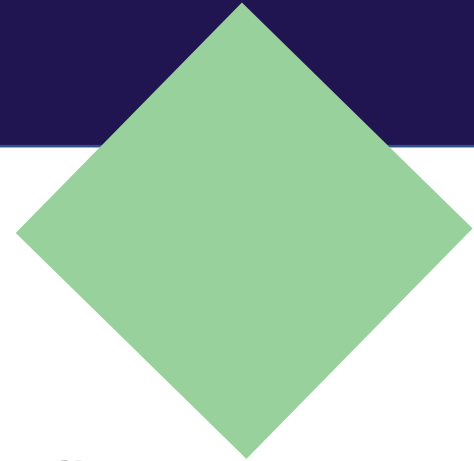


Example:

2024/25	£
Gross rental income	45,000
Gross self employment income	<u>10,000</u>
Total gross income	55,000

Quarterly reporting mandated from 6 April 2026

Quarterly updates



Quarterly update period	Dates	Quarterly update deadline
1	6 April to 5 July	7 August
2	6 July to 5 October	7 November
3	6 October to 5 January	7 February
4	6 January to 5 April	7 May

Digital Records - What should be done now

- ◆ Set up a separate bank account for the rental business
- ◆ Set up a separate bank account for each self-employment
- ◆ If you have more than 1 business you MUST keep separate records and make separate submissions for each business
- ◆ Treat all non-UK properties as one 'foreign property business' (*note- if you own foreign property in more than one country you must keep separate digital records for each country from which income is received*).

Things to consider

- ◆ Set up a separate bank account per business now
- ◆ Start discussions about this with your letting agent so they are aware that you will need information quarterly.
- ◆ If you are going on holiday you can submit the records up to 10 days before the end of the update period.
- ◆ If you own the property jointly and only provide/receive notice of your share of the income, then you will be assessed on that figure for qualifying income.

Things to consider

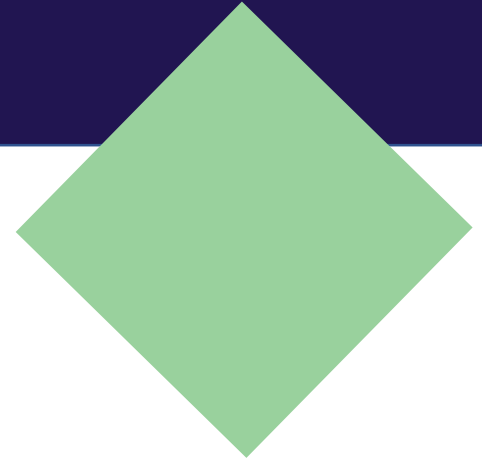
- ◆ If you are the beneficiary of a bare trust then the property income or trading income to which you are entitled, will count towards your qualifying income.
- ◆ If you are the beneficiary of an interest in possession trust, then any property or trading income that it paid directly to you (and by-passes the trustees), will count towards qualifying income.

Final declaration

Goodbye Tax Return

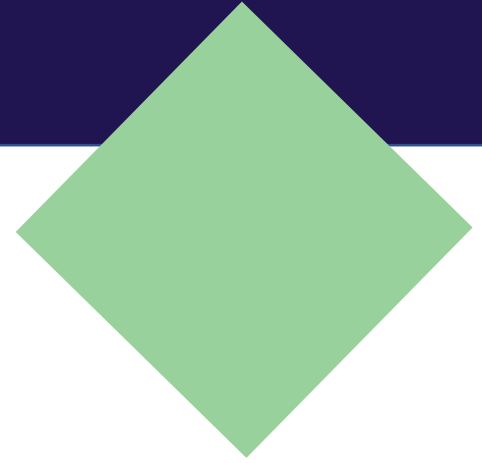
Hello Final Declaration

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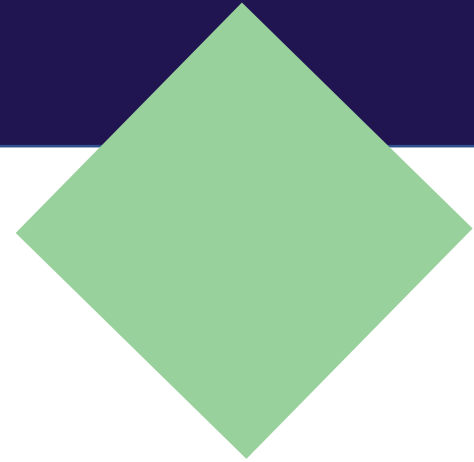
More things to consider

- ◆ Think about how many different submissions will be needed per quarter/ how many licences will be needed?
- ◆ Think about establishing a clean bank account now so everything is detailed in the same place
- ◆ We need to talk to each other!
- ◆ Our intention is to join the HMRC testing from April 2025
- ◆ We need to keep discussing how we can support you and how we can make this easier to manage for us all.



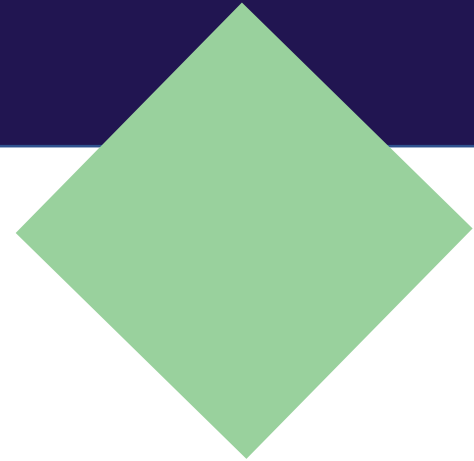
Key takeaways

- ◆ Pain in the short term for everybody
- ◆ Clear increase in administration burden
- ◆ Burden reduced by effective engagement on all sides
- ◆ Software AI driven – learning models that will anticipate categorisation. Admin burden should therefore decrease over time.



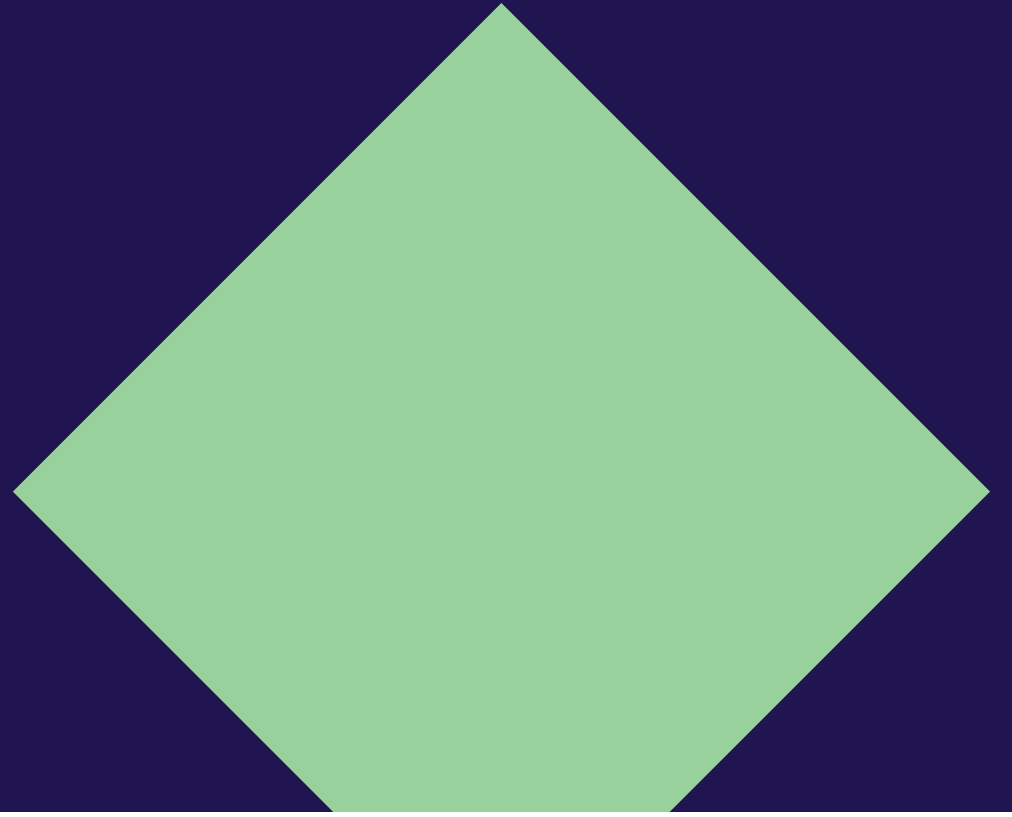
Summary

- ◆ Biggest change to income tax reporting since self-assessment in early 90s
 - ◆ Discuss your requirements in detail
 - ◆ Set up clean bank accounts
 - ◆ Consider joining public testing
- ◆ Will impact all income tax payers in self assessment eventually
- ◆ Good opportunity to be ahead of the game starting in earnest in 2026
- ◆ Decisions to be taken after 31 January 2025



Any questions?

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KW.

Thank you for
joining us.

**Kilsby
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