



Making Tax Digital – A New Way of Doing Tax

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Making Tax Digital (MTD) is at the heart of HMRC's drive to simplify tax for business and individuals alike. Eventually, all taxes will be reported through HMRC's MTD system and an overview of the system can be found [here](#) on the Gov.uk website.

MTD Roadmap

The three main taxes that will be affected are:

1. Value Added Tax (VAT)
2. Income Tax, and
3. Corporation Tax

MTD for VAT

The implementation of MTD began back in 2019, when the vast majority of VAT registered businesses with taxable turnover over £85,000 had to start maintaining digital records and submitting VAT Returns using MTD-compatible software.

Essentially, this meant that businesses needed to use accounting software to maintain business records from which, VAT Returns could be submitted directly to HMRC.

MTD for VAT (Phase Two)

From, 1 April 2022, the majority of all remaining VAT registered business will have to begin submitting VAT Returns via MTD-compliant software too. In the main, these are VAT Registered businesses which have annual taxable turnover below the £85,000 threshold and chose to register for VAT voluntarily.

Small businesses will inevitably see this as unwelcome news but with careful planning and utilising the experience that Sherlock & Co have gained from implementing MTD for VAT so far; we can help you transition easily.

MTD for Corporation Tax

HMRC is currently consulting on introducing MTD for Corporation Tax which is planned to be effective from 1 April 2026. Again, this will involve incorporated companies and other corporate taxpayers maintaining digital records and making digital tax submissions. As more details become available, Sherlock & Co will update this page and will provide further updates.

MTD for Income Tax

From 6 April 2024, both unincorporated businesses and landlords, with an annual turnover of more than £10,000 per year will need to submit Income Tax Returns via MTD-compliant software.

In practice, this will require individuals to maintain digital accounting records and submit to HMRC, quarterly summaries of business income and expenditure. HMRC state that this will allow them to send estimated tax calculations to businesses and individuals which will “help businesses and landlords budget for their tax”. At each accounting yearend, adjustments will need to be entered onto the MTD software which deal with usual yearend tax adjustments, after which, a final submission will be made. This final submission will replace the current Self-Assessment Tax Return.

Results so far

Many individuals who have already moved over to MTD, now believe they are in a better, more organised place. Yes, it takes time and effort to implement, and yes, there are added costs, but there are plenty of advantages too; up to date management info at your fingertips and, no more paper records stored in your garage, just to mention a few. Give us a call to find out how we can help you get ready for Making Tax Digital.

CONTACT US

If you have any queries or need any advice, please do not hesitate to contact us on:

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