

MAKING TAX DIGITAL - JULY 2017 UPDATE



Introduction

This update concerns the significant changes to the timing of Making Tax Digital ('MTD') announced in July 2017. For more detailed background information, please see our MTD March 2016 update which is available on our website.

Reminder - What is Making Tax Digital?

MTD is a large-scale project currently being tested by HMRC. It is intended to simplify tax reporting, as well as facilitate the collection and storage of tax-related data. All of HMRC's systems will be joined up, with each taxpayer having just one tax account.

Ultimately, there will be quarterly filing requirements for landlords and the self-employed. Users will be able to log in to their online tax account, make adjustments to their reported income and expenses and pay any tax due in instalments. Online billing will collect any tax not paid through an individual's PAYE tax codes and, in some circumstances, there will be no need for an annual Self-Assessment tax return.

Changes to previous plans

Originally, self-employed individuals and landlords with turnover in excess of £10,000 per year would have had

to report income and expenses to HMRC quarterly using digital record keeping, interfaced with HMRC's systems, from April 2018. This proposal was met with a great deal of concern from stakeholders. The timescale for the implementation of the new reporting rules, and the thresholds above which they apply, have now been greatly increased.

Under the proposed new rules, which now do not start until April 2019 (i.e. one year later than previously announced), MTD will only be mandatory for those with turnover in excess of £85,000 per year (the current VAT threshold), and then only for digital filing of VAT information, which is already reported quarterly. The revised plans therefore only require a change in the way that VAT information is reported. There are to be no other changes for the moment.

The scope of MTD will extend to other taxes once it has been proven to work successfully. The government have committed that this will not happen before April 2020.

Looking Forwards

The Summer Finance Bill, which is due to be introduced shortly after the summer recess, should contain further details relating to MTD. What is clear now is that in the short term far fewer individuals will be affected by these changes. Pleasingly,

the government has listened to concerns and is giving individuals and businesses breathing space to prepare for the significant changes that will result from MTD.

Please speak to your usual contact if you have any queries or concerns about how MTD will affect you and your business. We will provide a further update in due course.

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January – June
2016

- All taxpayers have access to their own digital tax account, seeing information HMRC holds about them.
- Taxpayers can see how their National Insurance contributions affect their State Pension through their digital account.
- Webchat introduced to support PAYE taxpayers in their digital tax account.
- Testing starts for secure messaging between taxpayers and HMRC in their digital tax account

July – December
2016

- Bank and building society interest above the personal savings allowance included in tax codes for employees and pensioners.
- Authorised agents able to manage their clients' digital tax accounts.
- Testing starts on using real-time information to show taxpayers how their personal allowances are shared between jobs and pensions.

January – June
2017

- Testing starts for digital reporting of income from letting property.
- Taxpayers able to report additional sources of income through their digital tax account.

July – December
2017

- Digital tax accounts show taxpayers an overview of their tax liabilities in one place.
- Automatic real-time tax code adjustments aimed at preventing PAYE under- and overpayments.

January – June
2018

- Interest paid by banks and building societies starts to be shown in digital tax accounts.

April 2018

- Taxpayers who currently report their Child Benefit to HMRC no longer need to do so.

April 2019

- Self-employed individuals, landlords, partnerships and businesses **above** the VAT threshold must update HMRC quarterly for VAT through their accounting software.
- Smaller businesses may choose to use the new system and may in certain circumstances opt in to MTD to report other taxes.

April 2020

- The scope of the mandatory use of MTD may be extended if it is shown to be successful, from April 2020 at the earliest.