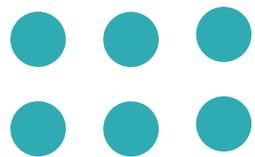




Making Tax Digital (MTD)

- **Presented by Jo Tomlinson**
- Owner and MD of Business Works UK
- Certified Quickbooks Trainer



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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.

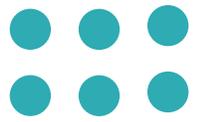


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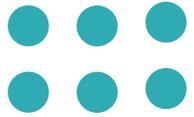
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What is MTD?

Part of a plan to modernise the UK tax system by exploiting the opportunities offered by digitisation to make it easier to everyone to get tax right!



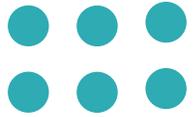
MTD

- MTD this time around is Making Tax Digital for Income Tax and Self-Assessment
- It impacts sole traders and landlords who are receiving rental income either in the UK or overseas



MTD

- Keep digital records
- Submit quarterly updates to HMRC
- Use compatible software to file their Self-Assessment return



Phased rollout

- **April 2026** – qualifying income over £50,000
- **April 2027** – qualifying income over £30,000
- **April 2028** – qualifying income over £20,000



The Turnover Test



Qualifying income is Gross income from self-employment and property

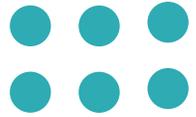


The Turnover Test



Including:

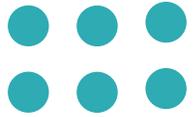
- Self-employed turnover
- UK Property income including grant of lease and FHL
- Foreign property income gross



The Turnover Test

Not including:

- Partnership income
- Trusts, estates, taxpayers with power of attorney, non-UK resident entertainers and sportspeople
- Taxpayers who do not have a UK NINO
- Foster carer income and others claiming care relief
- Savings income
- Dividends
- Trading allowances and rent a room scheme



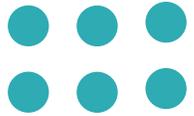
Turnover Test

Qualifying Period

Tax year 2024/25

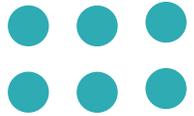
For new sole traders, the April after the tax deadline (Jan) following your first submitted self-assessment tax return

Note: if the relevant period is less than 12 months, you will need to adjust the income so that it represents a full year – use a just and reasonable basis.



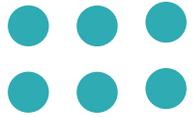
Keep Digital Records

- You must record transactions digitally and store them in MTD-compatible software
- Manual calculations are no longer sufficient



Keep Digital Records

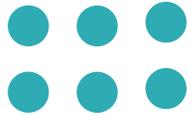
- Enter data manually into a digital system – individual transaction level
- Link your bank
- Use a data capture tool
- Link to 3rd Party software



Submit returns to HMRC digitally

Two types of submission under MTD ITSA

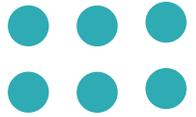
- Quarterly Updates
- Self-Assessment tax return



Submit returns to HMRC digitally

Quarterly Updates

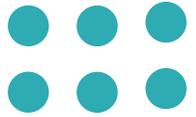
- These are not tax returns
- They're summaries based on your digital records
- You'll see an estimated tax bill, but don't need to pay quarterly



Submit returns to HMRC digitally

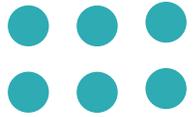
Self-Assessment tax return

- Still due by 31 January
- Filing process stays similar
- Payment deadlines also remain unchanged
- HMRC's free online tool can no longer be used once you're filing under MTD



Submit returns to HMRC digitally

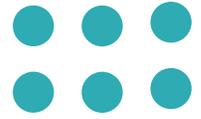
- Use one piece of software that handles both quarterly updates and Self-Assessment tax returns
- Use two pieces of software that together meet all MTD requirements



Submit returns to HMRC digitally

Software must support all the income sources you need to report:

- Self-employment
- UK Property
- Foreign Property
- Savings
- Dividends



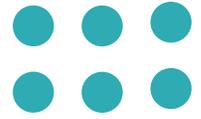
Submit returns to HMRC digitally

Bridging Software



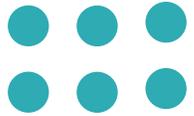
Quarterly Updates

Staying with historic reporting periods	Opting for calendar quarters	Filing deadline
Start: 6 Apr – End: 5 Jul	Start: 1 Apr – End: 30 Jun	7 Aug
Start: 6 Jul – End: 5 Oct	Start: 1 Jul – End: 30 Sep	7 Nov
Start: 6 Oct – End: 5 Jan	Start: 1 Oct – End: 31 Dec	7 Feb
Start: 6 Jan – End: 5 Apr	Start: 1 Jan – End: 31 Mar	7 May



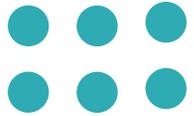
Self-Assessment Deadline

Remains unchanged



Quarterly Updates

- You'll need to submit 4 updates a year. If you're logging records regularly, this should be straightforward.
- Most software allows one-click filing
- Weekly record-keeping helps avoid missing receipts
- Up-to-date data shows your position clearly – who owes you, who you owe, and estimated tax
- Your quarterly updates must reflect your actual income and expenses. Inadequate records may result in penalties.



Choosing MTD Compatible Software

- Do you need it to be able to file just Quarterly Updates or also your year end self-assessment tax return?
- Taxpayers caught by MTD must complete Self-Assessment returns using third-party software



Choosing MTD Compatible Software

- Quarter end dates
- Are you VAT registered?
- Do you want to report on calendar quarters?
- What can the software do?



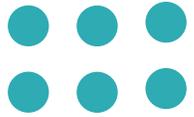
Choosing MTD Compatible Software

- Quarter end dates
- Are you VAT registered?
- Do you want to report on calendar quarters?
- What can the software do?



Choosing MTD Compatible Software

- Does it report everything?
- Some landlord software for example will only report rental!



Benefits of MTD ITSA

- **Using software is:**
 - More efficient - linking your business bank account will save loads of keying and the artificial intelligence features built into the software save time too
 - Will reduce errors
 - Gives you access to reporting functionality (varies with different software), to help you run your business



Benefits of MTD ITSA

- **Updating your records more frequently will:**
 - Mean you lose less receipts
 - Remember what transactions relate to more easily
 - Mean you don't have that stressful period where the whole year needs to be processed (it really is easier to manage in smaller chunks)
 - Mean you can see who you owe and who owes you to improve cash flow visibility
 - Be able to run reports and see how your business is performing throughout the year
 - Have early visibility of your tax estimate
 - Some other forms of income may be pre-populated (PAYE)



Resources



1. MTD
2. Accessing Capital for Growth
3. Forecasting
4. How much is your business worth
5. Selling some or all of your shares
6. Shared Business Ownership
7. Profitability
8. Project Evaluation
9. Directors Loans v Dividends
10. Cash flow v Profit

Thank

You



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