

## Landlords and Making Tax Digital

Landlords are described by HMRC as a property business and yet their income - rents received - is treated as an exempt transaction for VAT purposes, i.e., landlords do not need to register for VAT and submit quarterly returns. The only exception is if a let commercial property has been opted-in to VAT.

This means that most landlords taxed under self-assessment have escaped the initial impact of HMRC's drive to digitise reporting. Presently, all VAT registered businesses are required to submit their returns using software that can link with HMRC's MTD servers.

However, from April 2024, MTD is being extended to cover income tax for self-assessment. MTD for ITSA will apply initially to self-employed individuals and landlords who have business and/or property income of more than £10,000. If you have both property and business income, MTD applies if the total is over £10,000. Individuals to whom this applies will need to comply with MTD for ITSA from the start of the 2024/25 tax year (i.e., from 6 April 2024). All other individuals within Income Tax Self-Assessment will be required to comply with MTD for ITSA from the start of the 2025/26 tax year (i.e., from 6 April 2025). However, if you have incorporated your property business, MTD for corporation tax purposes is planned to commence no earlier than April 2026.

Quarterly updates are required for each business and each property business. This may mean that you need to make multiple submissions. Quarter end dates are set at 5 July, 5 October, 5 January, and 5 April. However, you will be able to elect to use calendar quarters instead and submit information to 30 June, 30 September, 31 December and 31 March.

If affected, landlords will need use software to record their property business transactions which is compliant with HMRC MTD for ITSA directives.



Whilst 2024 may seem to be in the far distant future, we recommend that landlords who will be drawn into the MTD for ITSA net from April 2024 should contact their accountant sooner rather than later to consider their options. They can help you choose cost-effective accounting software and train you to use the software before the 2024 deadline.

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