

Will quarterly reporting lead to quarterly payments?

Within a few years, many taxpayers who are currently required to file a tax return - and most businesses - will be required to file quarterly data with HMRC using the Making Tax Digital portal. This means the present annual filing obligations will be replaced by quarterly filing obligations.

Unlike salaried or waged individuals who have their tax and NIC liabilities deducted at the time they are paid; self-employed traders and companies pay their tax in arrears.

For example, for the 2021-22 tax year, individuals registered for self-assessment pay two estimated instalments – based on previous year's profits – January and July 2022, and any balancing amount on 31 January 2023. Likewise, companies pay their corporation tax bill nine months and one day after their accounting period end. This means the Treasury does not get its hands on current tax dues (apart from income subject to PAYE) for some time after the income and profits are earned.

Making Tax Digital (MTD) is already mandated for all VAT registered businesses, and MTD for Income Tax and self-Assessment will apply from April 2024 for the self-employed and those with income from property (and from April 2025 for most partnerships). MTD for Corporation Tax is provisionally set to launch in April 2026.

When the next phase of MTD comes into play there are two major demands that affected taxpayers and companies will need to comply with:

- Uploading quarterly data to HMRC,
- Keeping their records in an electronic format that will facilitate the quarterly uploads.

For many taxpayers and traders this will be a simple transition if they have already embraced a digital approach to record keeping – particularly if software has been adopted that is already compliant with MTD technology.



However, if you or your company still needs to make this transition, please contact your accountant who will be able to offer advice regarding your software options.

When HMRC are provided with information on a quarterly basis, the next logical step would be to change to quarterly payments based on actual data submitted, although there is no indication at present that HMRC intend to make this transition.

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