

## **Making Tax Digital (MTD) for Income Tax**

Self-employed businesses, partnerships and landlords with annual gross business or property income above £10,000 will need to follow the rules for MTD for Income Tax from their next accounting period starting on or after 6 April 2024.

Making Tax Digital (MTD) is a government initiative to modernise HMRC's tax system, with the aim of making the whole process of administering tax simpler and more efficient. All of your tax information will be in one place (your digital account), and you will be able to pay taxes based on your business activity during the year. You can upload and update your tax account in real time.

If you own a business or are self-employed and pay income tax, national insurance, VAT or corporation tax, then it is quite likely you will be affected. This means you could be required to keep track of your tax affairs digitally using MTD-compatible software, and update HMRC at least quarterly via your digital tax account. Eventually, this will abolish the annual tax return. This will be the law and there will be penalties for non-compliance.

### ***What should I do about MTD?***

You may be able to reduce your running costs and streamline your accounting by complying with the new rules.

For example - if you have a system where your bank feeds your data directly into your accounts on a daily basis - you can take a photo on your phone of a purchase invoice, and it is posted automatically. You can see your results, who owes you money, who you owe money to, and your business bank balance 24/7, 365 from your smartphone.

There are many MTD-compliant cloud accounting packages that give you:

- A clear picture of your current financial position, in real-time.
- Automatic updates that mean you can spend more time doing what you enjoy.
- Your accounts 100% online, so there's no software to install and everything is backed up automatically. Updates are free and instantly available.



Your accountant can help you to comply with the new rules. Most are cloud accounting specialists and can train and support you with the right software.

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