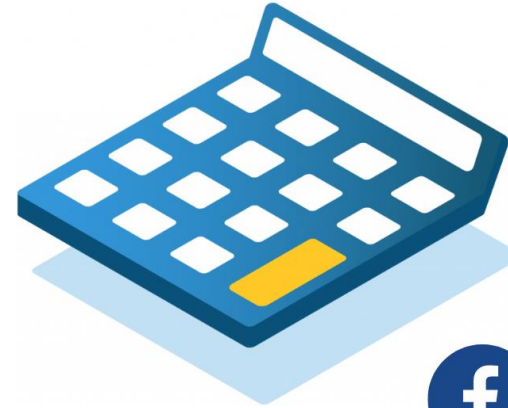


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Proudly supporting
Digital Skills Showcase and Business Expo 2024

Making Tax Digital
For Income Tax Self-Assessment

LET US INTRODUCE OURSELVES...



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YOUR PRESENTING TEAM TODAY...



Alex Buckley

ATT

Senior Tax Accountant

- ✓ Participated in HMRC's User Research for MTD ITSA



Lucy Orrow

CTA TEP

Tax Partner

- ✓ 30 years' experience in Personal Tax and Planning



Sean Wiegand

FCA

Accounts Partner

- ✓ Large client portfolio helping SMEs across Essex

TODAY'S AGENDA:

- **Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) FAQs**
 - ✓ **Will** it affect me?
 - ✓ **What** are the reporting limits?
 - ✓ **Are** there any exemptions?
 - ✓ **How** do I report?
 - ✓ **Is** the pilot scheme open?
 - ✓ **When** are the important dates?
 - ✓ **What** do I need to start thinking about?
 - ✓ **Where** can I receive further support?

MTD FOR ITSA – THE BASICS:

- **Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA)**
 - ✓ Comes into force from **6 April 2026**
 - ✓ Will affect anybody required to file **self-assessment tax returns** that includes self-employment and/or property income (over £50,000)
 - ✓ Quarterly reporting to HMRC will be required - online
 - ✓ Summary of income and expenses
 - ✓ Final Declaration due on 31 January – **replacing tax return**

MTD FOR ITSA.

Originally announced at Budget 2015, and following formal consultation in 2016, HMRC implemented the first phase of MTD from April 2019 for VAT-registered businesses.

2015

December 2022

The government announced in December 2022 that MTD for ITSA will be introduced for businesses, self-employed individuals and landlords.

In Autumn Statement 2023, the government published the 'Making Tax Digital Small Business Review Outcome', setting out how MTD for ITSA addresses the needs of smaller businesses.

2023

WHO DOES IT AFFECT?



Self-employed



Sole trade businesses



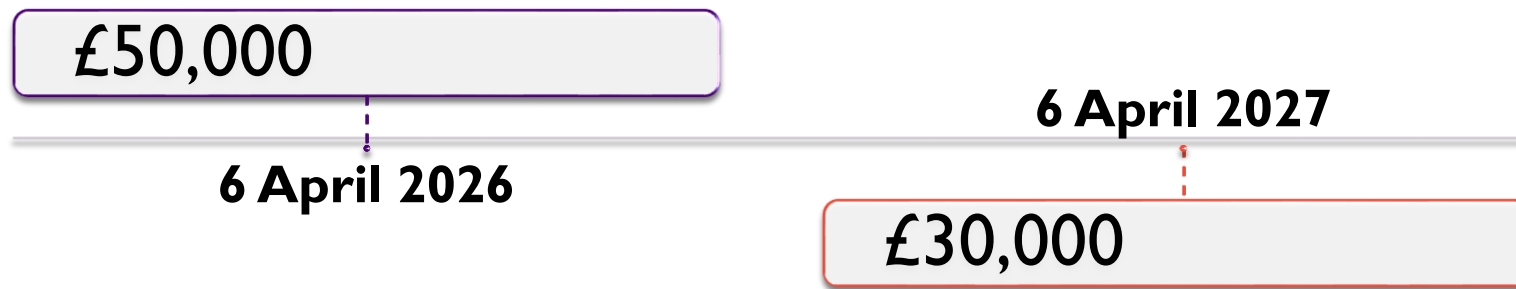
Landlords

MTD for ITSA requires individuals with qualifying income from the above sources to maintain digital records and update HMRC each quarter.

Qualifying income is defined as the total income from self-employment and/or property before the deduction of any expenses.

WHAT ARE THE REPORTING LIMITS?

- ✓ Sole trade businesses and landlords with qualifying income **over** the following amounts will be caught:



- If an individual has both sources of income, it is the **combined total** that must be considered for the limits above.
- For joint income, it is only **your share** of the qualifying income that counts towards the thresholds.

ARE THERE ANY EXEMPTIONS?



Digitally excluded – can be for reasons such as age, disability or location



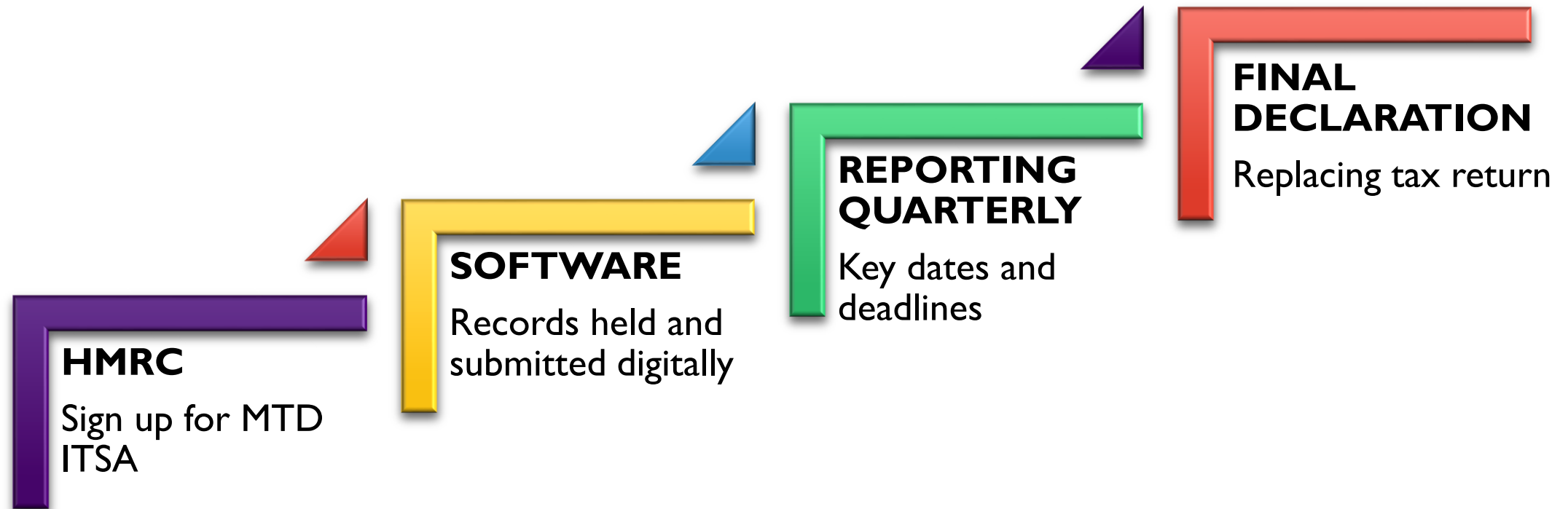
Below reporting limits – not mandatory but can still sign up voluntarily



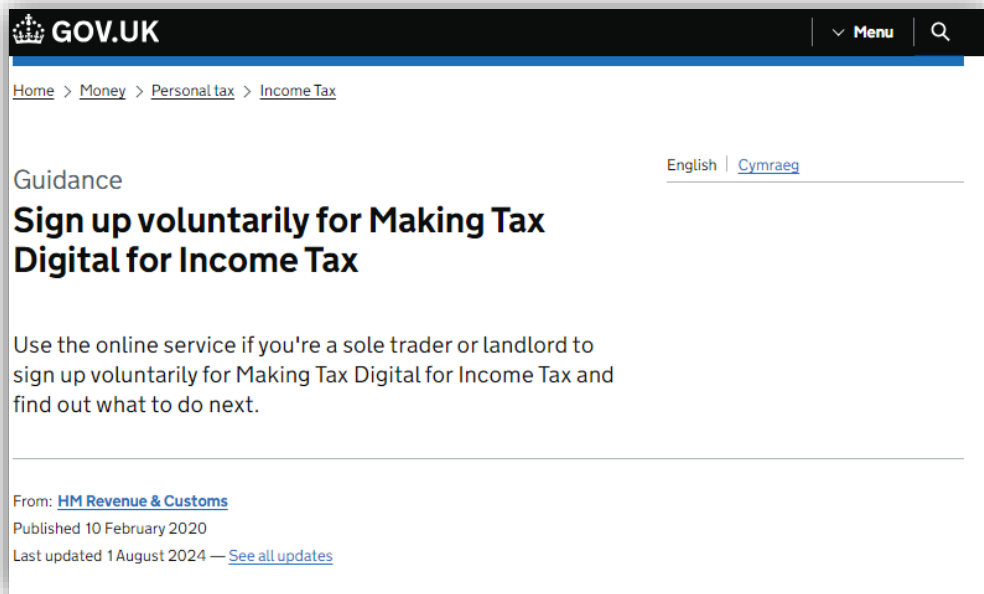
No National Insurance number – only applies if you don't have one before the 31 January prior to the start of the tax year

* Specific exemption will be implemented for foster carers

HOW DOES IT WORK?



GETTING AHEAD – PILOT SCHEME NOW OPEN:



✓ Sign-up on HMRC's website

(even though the quarterly reports are submitted via third party software)

- Voluntary sign-up until it becomes mandatory after 6 April 2026 (if you meet the requirements)
- If we are engaged to act on your behalf, we can complete this for you



www.gov.uk/guidance/sign-up-your-business-for-making-tax-digital-for-income-tax

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HOW WILL THE SOFTWARE WORK?



- ✓ **MAINTAIN DIGITAL RECORDS** – SCAN AND STORE RECEIPTS AND INVOICES



- ✓ **FREE AND PAID SUBSCRIPTION SOFTWARE** WILL BE AVAILABLE FROM PROVIDERS



- ✓ NO OPTION FOR **PAPER SUBMISSIONS**



- ✓ **MTD COMPLIANT** SOFTWARE WILL FEED REPORTS DIRECTLY TO HMRC

QUARTERLY REPORTS:

- You will need to choose your **MTD compliant software**
- Submit your **income and expenditure** each quarter
- HMRC record on a **cumulative basis** so errors can be corrected post-submission
- Direct feed to **HMRC**
- **Self-employed income & property income** must be recorded and submitted separately
- **Late filing penalties** will apply – new regime being implemented

WHAT IF MY INCOME DROPS?

- Need to be below the threshold for **3 consecutive years** to exit MTD
- Example:

Financial Year	Reported Income
2024/2025	£52,000
2025/2026	£31,000
2026/2027	£10,000 (1 below threshold)
2027/2028	£5,000 (2 below threshold)
2028/2029	£3,000 (3 below threshold)
2029/2030	Revert to Self-Assessment

- Mandated registration for MTD from April 2026
- Won't be exempt until 2029/30

REPORTING DATES AND DEADLINES:

	Period Covered	Filing Deadline
Quarterly Update 1	6 April to 5 July	7 August
Quarterly Update 2	6 April to 5 October	7 November
Quarterly Update 3	6 April to 5 January	7 February
Quarterly Update 4	6 April to 5 April	7 May

- Or you can elect to **report calendar quarters** (useful for individuals who run their year-end to 31 March)

	Period Covered	Filing Deadline
Quarterly Update 1	1 April to 30 June	7 August
Quarterly Update 2	1 April to 30 September	7 November
Quarterly Update 3	1 April to 31 December	7 February
Quarterly Update 4	1 April to 31 March	7 May

THE FINAL DECLARATION – BY 31 JANUARY

FINAL DECLARATION CALCULATED:

- Self Employment Income
- Property Income
- Other Income
- Adjustments



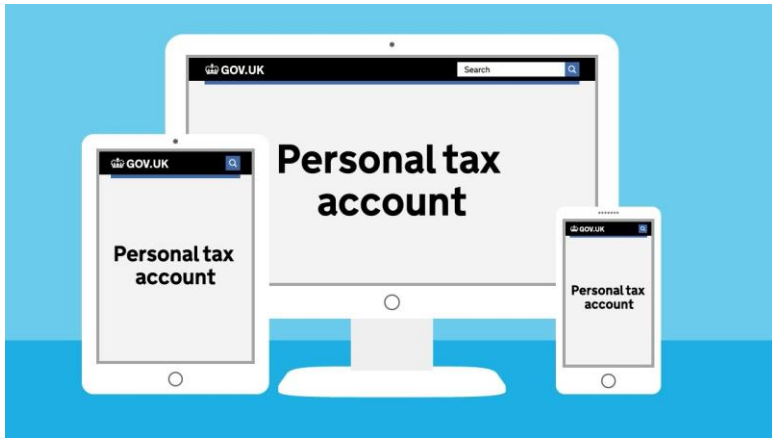
ADJUSTMENTS:

- Mileage Claims
- Private use adjustments on expenses
- Capital allowance claims

SUBMIT ONLINE BY 31 JANUARY:

- Replacing requirement for self-assessment

ADDITIONAL POINTS TO NOTE:



- ✓ From the user research completed with HMRC, they said they intend to provide an estimate of the individuals tax liability for the year on their **Personal Tax Account** to help the taxpayer budget throughout the year.

- ✓ MTD is part of ongoing works behind the scenes at HMRC to create a **single platform** that brings all their tax systems together under one roof.



PENALTY POINTS:



LATE SUBMISSIONS LATE PAYMENTS ERRORS



Submission frequency	Penalty threshold	Period of compliance	Time limit
Annual	2 points	24 months	48 weeks
Quarterly (including MTD for ITSA)	4 points	12 months	11 weeks
Monthly	5 points	6 months	2 weeks

SOFTWARE READY NOW:



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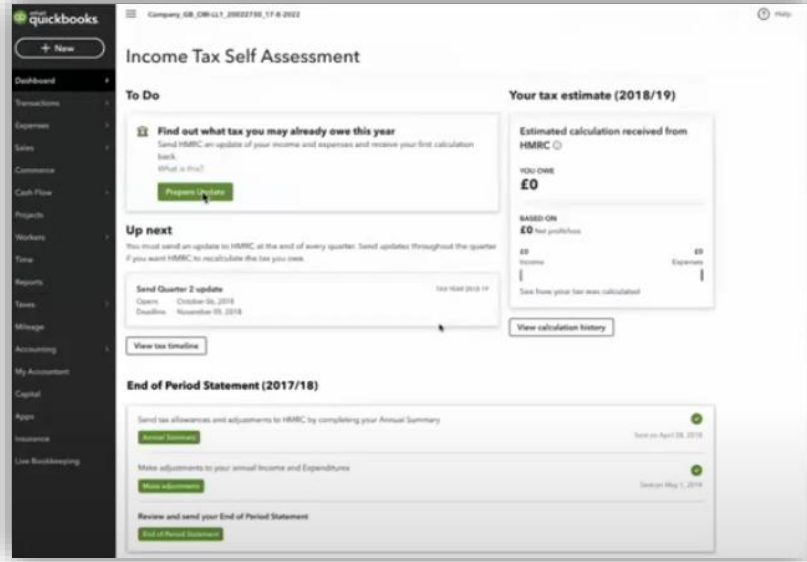
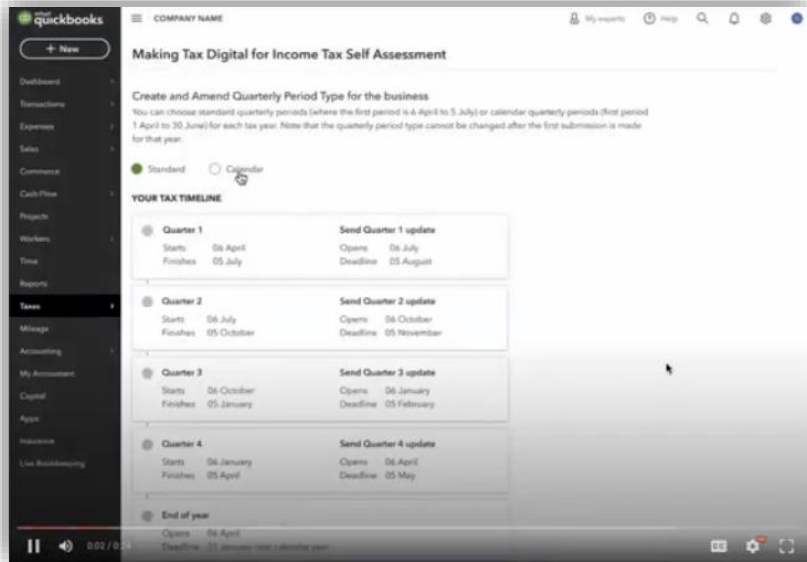
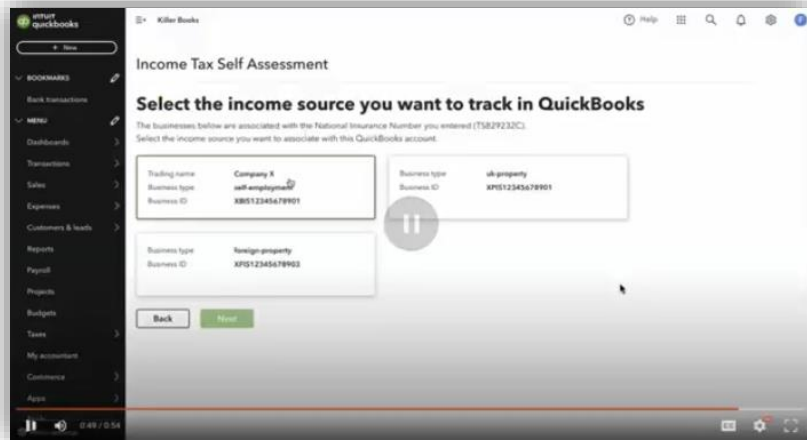
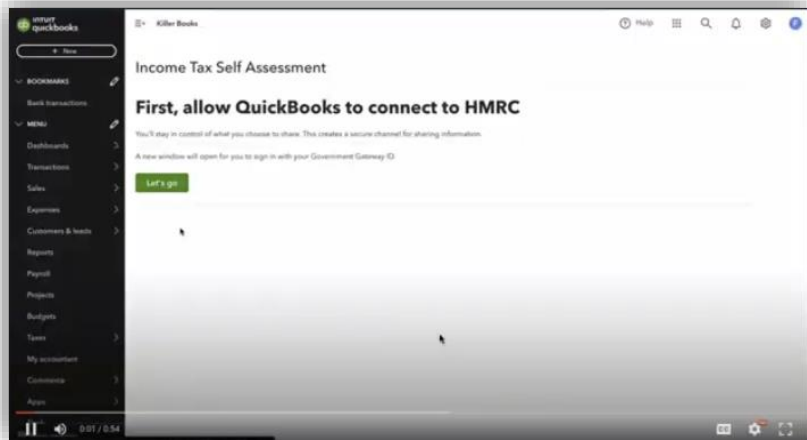


SOFTWARE IN DEVELOPMENT:





SNEAK PEEK:



WHERE CAN YOU RECEIVE FURTHER SUPPORT?

✓ **Sign up voluntarily for Making Tax Digital for Income Tax pilot:**

www.gov.uk/guidance/sign-up-your-business-for-making-tax-digital-for-income-tax

✓ **Request follow up call or email from us**

www.lambert-chapman.co.uk/blog/mtd-for-itsa



✓ **Stay up-to-date**

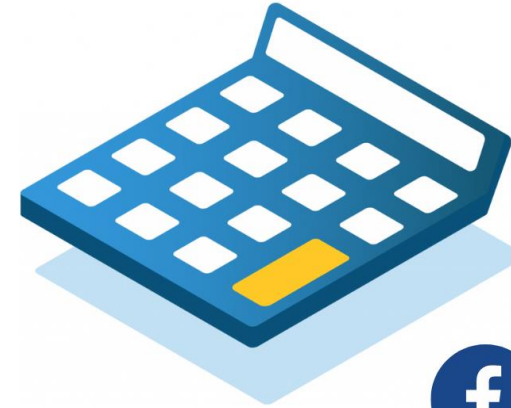
Check our website for the latest news and announcements



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Legislation is correct as at 9 October 2024.