

Final HMRC digital revolution embraces Income Tax

The first step - Planning your tax affairs to cater for changes to Income Tax reporting from April 2024

Most VAT registered traders will already be submitting their VAT returns using software that links with HMRC's Making Tax Digital (MTD) technology.

The introduction of this has now been postponed by a year. From April 2024, the long awaited – and much deferred – adoption of MTD for Income Tax will be implemented. From this date, individuals, with property or trading income which together create £10,000 turnover or more, will need to submit quarterly, digital returns to HMRC and an annual year-end report.

Step One - Time to embrace the digital age

If you still record your accounting transactions using manual systems, or rudimentary spreadsheets, you have just over two years to convert to using approved software. Whilst this may seem like plenty of time, the transition from using manual records to recording your property or other business income using approved accounting software does involve a number of challenges.

The benefits of a digital approach

Presently, we are taking your manual records (or spreadsheets) and analysing the data to enter in your annual self-assessment tax return. From April 2024, this information will need to be uploaded on a quarterly basis and in a format that links effectively with HMRC's MTD servers.

Which means that the days of recording transactions manually are numbered...

However, aside from meeting the need to upload data to HMRC, there are a number of practical benefits to recording your accounting transactions using approved software. If you have a buy-to-let property business you are probably totting-up rents received and expenses on an annual basis. By recording the receipt of rents and payment of expenses as they happen a whole new world of financial information becomes available to you in real-time. For example, you can:

- view profit statements for each property,
- set up links with your business bank so transactions are automatically synced with your account's software,

- record improvements to each property to set off against any taxable gains when you sell a rented property.

With the challenges we all face due to the COVID pandemic and the present supply issues, having your finances recorded in a digital format will provide you with real-time information to respond to these challenges as they happen.

Higginson & Co support

We would like to support you in this process. We can help you set-up or software solution in good time and hopefully demonstrate a range of advantages for your business activities as well as meeting any future reporting changes HMRC may throw at you.

If we can get you set-up before April 2022, we can help you capitalise on these benefits and achieve your first step to readiness for the coming MTD for Income Tax revolution.

Pick up the phone. There is no time to lose.

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