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Making Tax Digital Update

Making Tax Digital for VAT is being extended to all businesses which are voluntarily registered for VAT for their first VAT return period starting on or after 1 April 2022.

Income Tax Self Assessment

Making Tax Digital for Income Tax Self-Assessment (ITSA) is set to be implemented from 6 April 2023 and will apply to ALL unincorporated businesses and landlords with business or property income over £10,000 per annum.

The first accounting periods to be affected will be those beginning on or after 6 April 2023, if an accounting period ends on 5 April the first quarterly report will therefore be for the period 6 April 2023 to 5 July 2023.

Quarterly reports will be required for each business conducted by a taxpayer, including each property business. Digital records must be kept for all business income and expenditure and approved software will need to be used to keep these records. The quarterly reports will be derived directly from these digital records.

At the end of an accounting period, business income will be finalised in a declaration confirming the quarterly updates sent as being correct. Any accounting adjustments can be made at this stage. The final declaration will replace the Self-Assessment Tax Return.

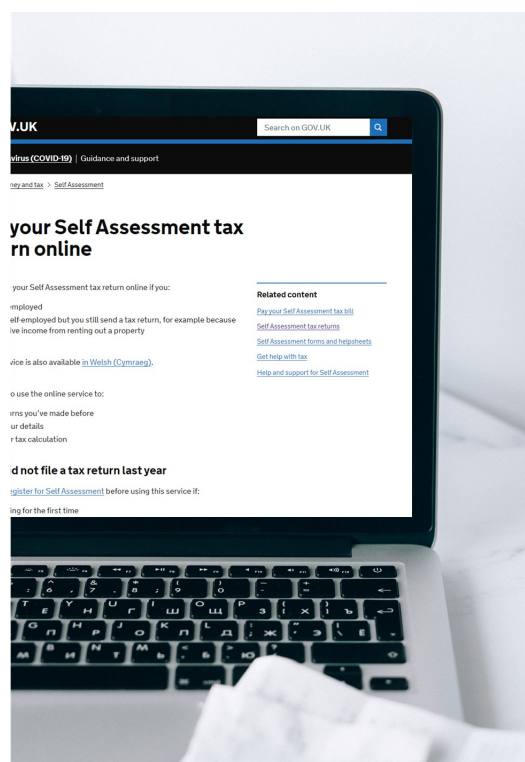
Agents will be able to request electronic authorisation from clients for MTD ITSA before registering the client for MTD ITSA. Once a client is registered, agents will be able to make the quarterly submissions on the client's behalf.

Penalties

A new penalty regime for VAT and Income Tax Self-Assessment is also being implemented. For VAT this will be from 1 April 2022 and for Income Tax Self-Assessment from 6 April 2023.

Taxpayers will not be charged an automatic financial penalty if they fail to meet a submission deadline. Instead they will incur a penalty point for each missed submission and a financial penalty will only be levied once a taxpayer reaches a penalty points threshold. The threshold will vary depending on frequency of the filing obligation (weekly, monthly, quarterly) and the penalty has been set at £200. The points will expire after a period of full compliance of up to 24 months.

Two late payment penalties may apply. A first penalty of 2% of the unpaid tax is charged on tax unpaid 15 days after the due date, this increases to 4% if the tax remains unpaid 30 days after the due date. An additional penalty of 4% per annum will accrue on a daily basis on any tax remaining unpaid after 30 days.



This document is intended as a general guide and although Chavereys have made every effort to ensure accuracy, they cannot accept liability for any errors of fact or opinion.

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