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MAKING TAX DIGITAL FOR INDIVIDUALS

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FACTSHEET

MAKING TAX DIGITAL FOR INDIVIDUALS

The government has started phasing in its landmark Making Tax Digital (MTD) initiative, which will see taxpayers move to a fully digital tax system.

In this factsheet we outline some of the key issues for individuals including the Personal Tax Account and Simple Assessment.

MAKING TAX DIGITAL

Making Tax Digital for Business (MTDfB) was introduced in the 2015 Spring Budget. The government's 'Making Tax Easier' document was published shortly after and outlined plans for the 'end of the tax return'. It also set out the government's vision to modernise the UK's tax system, with digital tax accounts set to replace tax returns for ten million individuals and five million small businesses.

Revised timescales

However, industry experts and those within the accountancy sector expressed concerns over the proposed pace and the scale of the introduction of MTDfB. As a result, the government amended the initial timetable for the initiative's implementation, to allow businesses and individuals 'plenty of time to adapt to the changes'.

MTD for Income Tax has been introduced from April 2026, with businesses, self-employed individuals and landlords with income over £50,000 mandated to join first, a change from the original £10,000 limit.

Those with income over £30,000 will be mandated from April 2027 and those with income over £20,000 from April 2028.

Following the new approach, the government will not extend MTD for Income Tax to general partnerships in 2026.

WHAT WILL BE REQUIRED?

Making Tax Digital for Income Tax is a new way of reporting income and expenses if you're a sole trader or landlord.

Under the new way of reporting, sole traders and landlords will use compatible software that enables them to:

- create and store digital records of their business income and expenses
- send quarterly updates to HMRC
- submit a tax return and pay tax due by 31 January the following year.

THE PERSONAL TAX ACCOUNT

Personal Tax Accounts (PTAs) are digital tax accounts for individuals that have been created by HMRC and are pre-populated with information held by it. PTAs are designed to permit individual taxpayers to communicate with HMRC, allowing them to update their financial details and check their tax affairs in real time.

Taxpayers may make use of a PTA to make tax payments, provide bank details to HMRC for tax refund purposes and provide details of taxable benefits from employment: for example, the use of a company car.

Individuals can register for a PTA by visiting www.gov.uk/personal-tax-account. The government predicts that, over time, the requirement to complete and file a tax return will lessen for those with straightforward tax affairs.

SIMPLE ASSESSMENT

Under Simple Assessment, HMRC has the power to assess an individual's liability to Income Tax or Capital Gains Tax, without the taxpayer having to fill out and submit a tax return.

Simple Assessment may be used to deal with the tax liabilities of:

- State pensioners whose state pension is higher than their personal tax allowance, where the tax owed cannot be collected via their tax code.

- Taxpayers with PAYE liabilities who have underpaid tax and cannot have it collected via their tax code.

Taxpayers are required to ensure that the information provided by HMRC is correct, and pay their Income Tax liability online, or by cheque, before a specific deadline, as outlined within the letter they receive. If the taxpayer believes the information to be incorrect, customers are given 60 days to contact HMRC.

Those that miss the deadline are encouraged to contact HMRC in order to discuss their circumstances. Individuals who fail to do so may be subject to penalties.

HOW WE CAN HELP

No matter your personal circumstances MTD will undoubtedly affect you in the long term. Please contact us for more information on MTD.

Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
T: +44 (0)20 7490 7766
E: enquiries@lubbockfine.co.uk

lubbockfine.co.uk

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