Dear <<First name>>

**Making Tax Digital**

You may have heard mention in the media of something called MTD for ITSA (Making Tax Digital for Income Tax Self Assessment).

This is the next step in the Government’s plan to reform the way tax information is reported to HMRC and is already in force for businesses registered for VAT.

Most self-employed individuals and landlords who currently file tax returns under the Self Assessment regime will be affected.

They will be required to:

* Keep digital records of all their business transactions. This could either be in the form of a spreadsheet or by using a bookkeeping software application.
* Make quarterly submissions to HMRC, informing them of total business and property income and expenses to date; and
* Make an annual submission very similar to your current Self Assessment tax return using HMRC approved software.

Not every self-employed individual or landlord will be affected. If your combined annual income from your business AND any property you rent out does not exceed £10,000 then you can continue to file an annual Self Assessment tax return as you do today. However, should you exceed this threshold in future then you will need to comply with the new rules.

When will this happen?

MTD for ITSA will take effect **from 6 April 2024**.

This may seem like a long way into the future but with this being such a fundamental change to the way the tax system operates we want to ensure that you are both informed and prepared. Failure to comply with the new rules will expose you to HMRC’s new points-based penalty regime.

If you are not already doing so, we highly recommend implementing a robust digital record-keeping system by 6 April 2023 in order that you can be fully accustomed to the new process one year in advance of the effective date. This will give you time to fully acclimatise ahead of the quarterly reporting requirement.

We are very happy to support you on your Making Tax Digital transition and if you have any questions about how this will affect you then please do not hesitate to contact us.

Kind regards,