



MTDtalk April 2024

**WHERE ARE WE NOW? SHOULD YOU JOIN THE TESTING?
ICAEW TAX FACULTY**

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Presenters




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Agenda

- Why MTD? Will it happen?
- Who's in and who's out?
- What does it involve?
- Private beta testing
- Implications for your practice
- Penalty considerations

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Poll

Do you plan to sign a client up to private beta testing of MTD ITSA

- Yes, for 2024/25
- Wait until 2025/26
- Wait until mandation

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The Why – HMRC arguments

- Reduce **some** of the tax gap due to error and failure to take reasonable care
- Contribute to wider productivity gains from digitalisation and real time data
- Digitalisation of HMRC services - need to replace legacy systems to improve services – moving records from CESA to ETMP

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The Why – ICAEW position

- Fully support digitalisation of the tax system including integration with accounting software and other business processes
- Don't support quarterly updates but red line for HMRC/government
- Doubtful about additional tax revenue/closure of tax gap
- Concerned about
 - unresolved design/delivery issues
 - HMRC capacity to support taxpayers and agents
 - choice of software (including free)
 - cost and admin burden

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Will it happen?

- [Legislation](#) has been laid
- Private beta testing started on 22 April 2024
- HMRC does now have a detailed delivery plan

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Who's in when?

From 6 April 2026 – turnover/gross income >£50k

- Based on 2024/25 tax return

From 6 April 2027 – turnover/gross income >£30k

- Based on 2025/26 tax return

1.75m taxpayers

Under £30k remain under review

Turnover/gross income – income from self-employment and from property only, total of all sources

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Who's out

New Qualifying care relief income (foster carers)

New Those with no national insurance number

Partnerships and Limited Companies

Taxpayers domiciled or resident outside the UK (foreign income only)

Digitally excluded taxpayers

Trusts and estates

Trustees of registered pension schemes, charitable trusts and exempt unauthorised unit trusts

Underwriting business of members of Lloyds, distributions to shareholders in real estate investment trusts or distributions to participants in open-ended investment companies

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The what

- Digital records (date, amounts, details, category)
- Digital links
- Quarterly updates for each trade, UK property, Overseas property
- Tax year quarters – calendar quarters by election
- Submit by 5th month (but will be 7th)
- Submission via commercial API enabled software
- Quarterly updates cumulative (but not until 25/26)

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And at year end

- Start with final Q4 cumulative quarterly update
- Resubmit if necessary
- Make tax and other adjustments (BSAS – Business Source Adjustable Summary)
- End of period statement (EOPS) for each source no longer required
- Other income reported via MTD or other tax software or HMRC update and submit service

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Outstanding issues

- Detail on digital records and links
- Joint property
- Non-tax year accounting periods
- Multiple agents




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Private beta testing

- Launched on 22 April 2024
- [Sign up from gov.uk](#) – no longer via software developers
- Five software developers on board for launch
[Intuit QuickBooks](#), [SAGE](#), [123 Sheets](#), [SE reports](#), [self assessment direct](#)
- More developers to come
- HMRC target for 24/25 is 1,600 min, 10,000 max participants before expanding public beta testing in 25/26
- Dedicated HMRC contact centre available during beta testing

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Private beta eligibility 2024/25

Must have/be 	Can have 	Can't have/be 
National insurance number	UK dividends/interest	Partnership income
Registered for SA and previously filed a return	Gift aided charitable giving	Minister of religion/Lloyds underwriter/MP
Up to date account details (returns, address etc)	Pension contributions	Trust income
Income from either self-employment or property (UK/foreign) or both	Employment and/or pension income	High income child benefit charge
6 April to 5 April accounting period or 1 April to 31 March accounting period if software supports (election required, in software only)	Student loan repayments	Blind persons or Married couples allowance
UK resident	Capital gains tax disposal	Bankrupt/Individual voluntary arrangement
	CIS sub-contractor	Compliance enquiry
	Class 2 NIC voluntary payment	Second agent or other non-agent third party
	Marriage allowance	Averaging adjustments
	Foreign income (inc. foreign property)	HMRC debt or payment arrangement
		Joint property or Furnished holiday lettings
		Qualifying care relief

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Choosing software

- **Check with software developer before doing anything**
- Need to do due diligence
- Which software product(s) will you work with?
- Are the current software options suitable?
- What has the software developer actually built?
- What about your tax software?

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Choosing clients for beta

- Use the eligibility checker – first bit of sign-up service
- Consider whether change of circumstances might put client in the “can’t have/be” column
- To sign up need NINO, DOB, business/property start date, accounting method
- For sole traders need business name, address, nature of trade
- Once in can’t change accounting date, accounting method or carry back losses

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Implications for your practice

- MTD ITSA will change how your practice operates
- Have you got your agent services account (ASA)?
- Who is going to do the record keeping and submit quarterly updates?
- How are you going to manage workflow in your practice?
- Consider moving clients to digital records so ready to join the beta testing later?
- Engagement letters

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Penalty considerations

- Inaccuracy penalties apply to final return only
- No penalties for late submission of quarterly updates during private beta (or joining voluntarily)
- New late submission penalty points will apply to final return
- New late payment penalties will apply – 15 rather than 30 days

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Private beta checklist

- Suitable software – speak to developer
- Reliable bookkeeping by client or main agent (no multiple agents)
- Meet eligibility criteria (use checker)
 - No joint property or furnished holidays lettings
 - Tax year accounting only
- Agreement of client and engagement letter
- Business start date known
- Single business (or multiple licences)

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Further information

- Friday 26 April (14:00-14:45), HMRC is hosting a live online session [Register here](#)
Jonathan Athrow, Director General Customer Strategy and Tax Design
Craig Ogilvie, Making Tax Digital Director
Jennifer Staves, Strategic Change Deputy Director
- [ICAEW MTD hub](#)
- [HMRC guidance](#)
- Feedback on private beta to caroline.miskin@icaew.com

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Questions

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Thank you for attending

- Please take the time to fill out our short survey
- Contact the Tax Faculty
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