



UPDATE ON MAKING TAX DIGITAL FROM ANDREW JACKSON, CHAIR OF UK200GROUP TAX PANEL – Issue 4

Making the Distinction.

While Parliament is in hiatus, and HMRC in purdah, new information about MTD is hard to come by. So now is a good time to start looking at how this whole MTD thing fits into the tax return preparation experience.

In particular, I think it's important to distinguish between "Making Tax Digital", which relates to an individual and "Making Tax Digital for Business", which relates to their business.

Going back to basics: the point of an agent's existence is to get an individual client's tax position right (MTD for companies is a whole other ball game). Looking at that from the agent's perspective, what do we have?

- At the moment, I gather the information myself, stick it on a tax return, and check that HMRC Online shows the correct figures.
- Under MTD, I need to look at the client's Digital Tax Account, check all income is shown correctly, fill in any gaps, make any adjustments, and confirm to HMRC that the position is final.

The client may have several sources of income, each of which needs to be reported to HMRC by someone before I can check the DTA:

- 1) Employment income, interest, and some investments are going to be reported to HMRC directly by the paying entity. Some will also deduct tax, and report that too.

There's no need for me to get involved unless the figures are wrong, in which case someone (the client...?) needs to get that entity to submit corrected figures to HMRC.

- 2) Some investments (overseas ones, for example) are not going to be reported by anyone else. I need to make sure they end up in the DTA, but it should (!) just be a case of disclosing the income.
- 3) Self-employment and property income:
 - a. If it's over the MTD threshold, it needs to be reported under MTD for Business: the trading or property business is a reporting entity in its own right.
 - b. If under the threshold, it still needs to end up in the DTA somehow. Class this with (2) above: it should just be a case of disclosing the income in the DTA.

This last bit is where decisions need to be made: who reports for the business? The client, or muggins here?

Silly question.

So, before I can finalise the client's personal tax position, there are 5 (or more) reports I'm going to need to make for the business, on separate occasions:

- 1) At least 4 quarterly reports (can be more frequent, but why would I want to?).

These reports have raw data with no tax adjustments, and don't seem to get used for anything by HMRC (or at least, not for any purpose they've yet disclosed).

- 2) One end of year update. This takes the aggregate of the quarterly reports and turns it into useful accounting and tax information that can then feed into the individual's DTA.

OK, so for a sole trader I probably have two sets of responsibility, to two entities:

- 1) I'm sorting out the individual's tax position
- 2) I'm reporting the business's results, which feed in to (1)

Grand total is a minimum of 6 ~~returns~~ distinct processes: 1 for the individual, and 5+ for the business. I should be able to do the individual at the same time as the last business report (and there are some indications that the two can be wrapped up together, at least in some cases).

I might of course have several sets of business results to feed in to one individual; conversely, with a partnership I might have one set of business results to share between several individuals. With a number of clients in a number of partnerships, and some jointly-held property on the side, you could end up with quite a complex web of reporting.

This is all going to need some clear boundaries to sort out what you, your clients, and their other

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For more information on the UK200Group and our Campaign for Clarity on MTD, click [here](#) or visit www.uk200group.co.uk For Further information contact: admin@uk200group.co.uk