

MAKING TAX DIGITAL APRIL 2017 UPDATE: TAXPAYERS MUST MAKE AT LEAST SIX SUBMISSIONS TO HMRC EACH YEAR

In March 2015 when George Osborne outlined the new concept of 'Making Tax Digital' he said it would herald the death of the tax return by making tax 'easier'. The idea was sold as a reduction in the administrative burden for taxpayers, but by the end of 2015 we were told that Making Tax Digital would involve sending HMRC quarterly updates. However, closer reading of the draft Finance Bill 2017 has uncovered that the tax return is not disappearing; it is merely changing its name and will involve **five additional** submissions per year.

QUARTERLY UPDATES

The requirement to make quarterly updates to HMRC is set out in a new schedule to the Tax Management Act 1970 which says; "the regulations may not require financial information about the business to be provided more often than once every 3 months". The regulations have not been published yet but HMRC has made it clear that the maximum period an update can cover is three months, although a taxpayer may submit updates more frequently if they wish.

It is also worth noting that a set of quarterly updates will be required for **each trade or business** undertaken by the taxpayer. So for example, a self-employed individual who also has some rental income will have to submit a set of quarterly accounts for their self-employed trade **and** another set of quarterly updates for their rental business.

END OF PERIOD STATEMENT

The quarterly updates are not required to include any accounting adjustments, as those adjustments are to be included in an 'end of period statement' (EoPS), this being the fifth submission to HMRC. This EoPS is the point at which the taxpayer declares they have submitted complete and correct information regarding their trade. HMRC has said this deadline will be set at the earlier time of 10 months after the accounting period end or the next 31 January. Again, a separate EoPS will be required for each trade or business undertaken by the taxpayer.

FINAL DECLARATION

In addition to the EoPS, the taxpayer will also be required to make a 'final declaration'. This is the new name for the annual tax return.

The final declaration is needed to report any Income which has not been reported to HMRC through an EoPS, such as savings or employment income, and to make any necessary claims. The deadline for submitting the final declaration is set as on or before 31 January in the year after the end of the tax year, or if later, the last day of the period of three months beginning with the date of a notice issued by HMRC.

CONCLUSION

We are still waiting for sight of the regulations which will specify the deadlines for submitting updates, statements and declarations to HMRC. What is clear is that a self-employed taxpayer will have to interact with HMRC at least 6 times a year to submit the following:

- 4 updates (per trade)
- 1 End of Period statement (per trade)
- 1 Final Declaration (what we used to know as the tax return!)