

	<b>ITSA Webinar Questions Log 29 July 2020</b>	<b>Response (include link to GOV.UK or Guidance, if available)</b>
Exemption	Q: HMRC has granted MTD exemption to 25% of my VAT-mandated clients. Will these clients automatically be granted exemption from MTD for income tax or will I have to apply separately?	Yes, the plan is that existing exemptions for MTD will carry forward into ITSA, and other future iterations of Making Tax Digital.
Partnerships	Q: How will it work with partnerships?	Partnerships will be mandated to use MTD from their next accounting period following April 2023 if a partner(s) share of the turnover is above £10,000. Currently, Partnerships are not eligible to join the Pilot as we are refining the processes required. When Partnerships become eligible to join MTD we will update the following gov.uk pages <a href="https://www.gov.uk/guidance/follow-the-rules-for-making-tax-digital-for-income-tax">https://www.gov.uk/guidance/follow-the-rules-for-making-tax-digital-for-income-tax</a> .
Landlord	Q: I have a VAT registered Landlord. Will they need to go for MTD from April 2022 or 2023 as they are not a business?	If the landlord is VAT registered then their VAT returns will need to be submitted under MTD rules from their first VAT return starting on, or after, 1 April 2022.
Affected population	Q: Who is affected by this?	From the next accounting period following 6 April 2023, all Income Tax Self Assessment customers with a turnover of £10,000 or more from business income or income from property will be required to complete their affairs by MTD.
Digital links	Q. Will it be necessary to have digital links in place between software, before the figures are submitted to HMRC, in the same way as they are for VAT?	The Making Tax Digital rules for Income Tax Self Assessment will be almost identical to those for VAT that many will already be familiar with.
Sole traders	Q: When you refer to 'businesses' does this include sole traders?	Yes, that is correct. Sole traders / proprietors, limited companies, partnerships etc would all be classed as "businesses" in this context.
Spreadsheet	Q: I use excel is that digital?	Using a spreadsheet would be classed as keeping digital records, but it will also need the ability to send the required information digitally to HMRC, without further manual intervention eg bridging software.

Free software	Q: Will there be free software provided by HMRC?	HMRC will not provide any software. However, some software providers will provide a free version of their software for customers with the simplest tax affairs. Please see our software choices page here <a href="https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax">https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax</a> bear in mind that many software developers are just starting on their products following confirmation of mandate. It may be a few months before progress is seen.
Income below £10,000	Q: What happens to businesses and sole traders whose income is less than £10000?	From your next accounting period following 6 April 2023, if your turnover is above £10,000 then you will be mandated to use Making Tax Digital. If your income is below £10,000 then you will not be required to use MTD, but you can also voluntarily sign up to use the service. We would encourage those with income below the threshold to consider joining, and certainly to look to keep records digitally.
Self Assessment	Q: I am confused as to what you mean by self assessment - self assessment to me means personal tax and not business, is this correct?	Self Assessment covers many different circumstances including sole trader businesses. You can check if you need to complete Self-Assessment by checking the following gov.uk pages <a href="https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return">https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return</a>
Software	Q: Do we have to use online accounting software? These tend to be expensive and I use a spreadsheet product from an accounting company, and I report this data by doing my own self assessment.	A spreadsheet would be classed as a digital record; however, it would need to be able to send the data without manual re-keying. As with VAT, bridging software would provide the capability to send direct to HMRC.
Turnover or profit	Q: Is the £10,000 based on turnover or profit?	This is based on turnover
Bank account	Q: Are you saying that a sole trader must have a separate business bank account to use the service?	As a sole trader you do not need to have a separate business bank account, though we would recommend it. From your own account you will need to be able to identify and capture all your business-related transactions to be able to compile your return. Limited companies are required to have a separate business bank account.

Other sources of income	Q: Can you join the pilot if you also have employment income?	At present you are only eligible for Making Tax Digital for income tax if you have one source of self-employed income and/or landlord income over the threshold of £10000. Please see here for further information <a href="https://www.gov.uk/guidance/follow-the-rules-for-making-tax-digital-for-income-tax#who-can-follow-the-rules">https://www.gov.uk/guidance/follow-the-rules-for-making-tax-digital-for-income-tax#who-can-follow-the-rules</a> < <a href="https://www.gov.uk/guidance/follow-the-rules-for-making-tax-digital-for-income-tax">https://www.gov.uk/guidance/follow-the-rules-for-making-tax-digital-for-income-tax</a> > As testing continues the qualifying criteria is likely to expand to other sources of income. Can we get a more specific date based on the release date? Can we tell the customer this?
Digital records	Q: Can you clarify what you mean by digital records please? Is that purchased accounting software, and does it include homemade spreadsheets?	Broadly speaking it is the records you keep helping you manage the accounts of your business - only they must be kept in a digital format. This can be accounting software packages, or contained in a spreadsheet, homemade or otherwise. Do bear in mind though MTD expects to receive a summary of the accounting information digitally, and you cannot transpose this information manually. If your accounting software, or your spreadsheet is unable to send HMRC the quarterly update directly, then you will need to look to bridging software to integrate with your current solution.
Intrusive?	Q: This is looking highly intrusive. Is it just figures that HMRC is after?	HMRC are not asking for anything more than what is sent now on an annual basis. The idea here is that the quarterly submission will mean businesses can get a tax calculation based on their submission, this will help them organise their finances.
Payment schedule	Q: Does this mean I will need to pay tax 5 times per year?	No. You will need to submit four updates throughout the year and then a final declaration at the end of the year. Your payment schedule will remain the same in line with the guidance on GOV.UK, usually 31 January.
Income from property	Q: Is property income also subject to the £10,000 threshold?	This threshold will be for customers who have a turnover above £10,000 from either business or income from property in their accounting period following 6 April 2023.
Income from property	Q: Are there two £10,000 thresholds for business/property or is it a total of £10,000 from both these sources?	This is total of any business or income from property.

Software choices	Q: There is not many software choices now that cover MTD for SA, nor many in development - do you expect this list to grow?	The announcement of MTD for Income Tax was made on 22 July 2020. Software developers were not aware of the announcement in advance, of course, and are already engaging with HMRC to discuss their plans to develop MTD ITSA products. This will take time, but more and more software developers are signing up to provide MTD compatible software. You can check the software choices page on gov.uk for more information <a href="https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax">https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax</a> . But do remember that it could take months of development and testing before a product comes to market.
More than one business	Q: When is it likely that someone with two businesses will be able to participate in the trial, and will I be notified when that becomes possible?	We expect to announce an increase in eligibility criteria, including supporting more than one business soon. We would suggest however you check with your software supplier to confirm when they expect to be able to update their product to make use of the new functionality.
COVID-19 support payments	Q: I've received the Covid19 Self Employed income Support, so does that mean that I can't join the pilot?	Yes, that is correct. Other than Statutory Sick Pay, and COVID-19 related income would currently exclude you from the pilot, but we would look forward to you joining after April 2021.