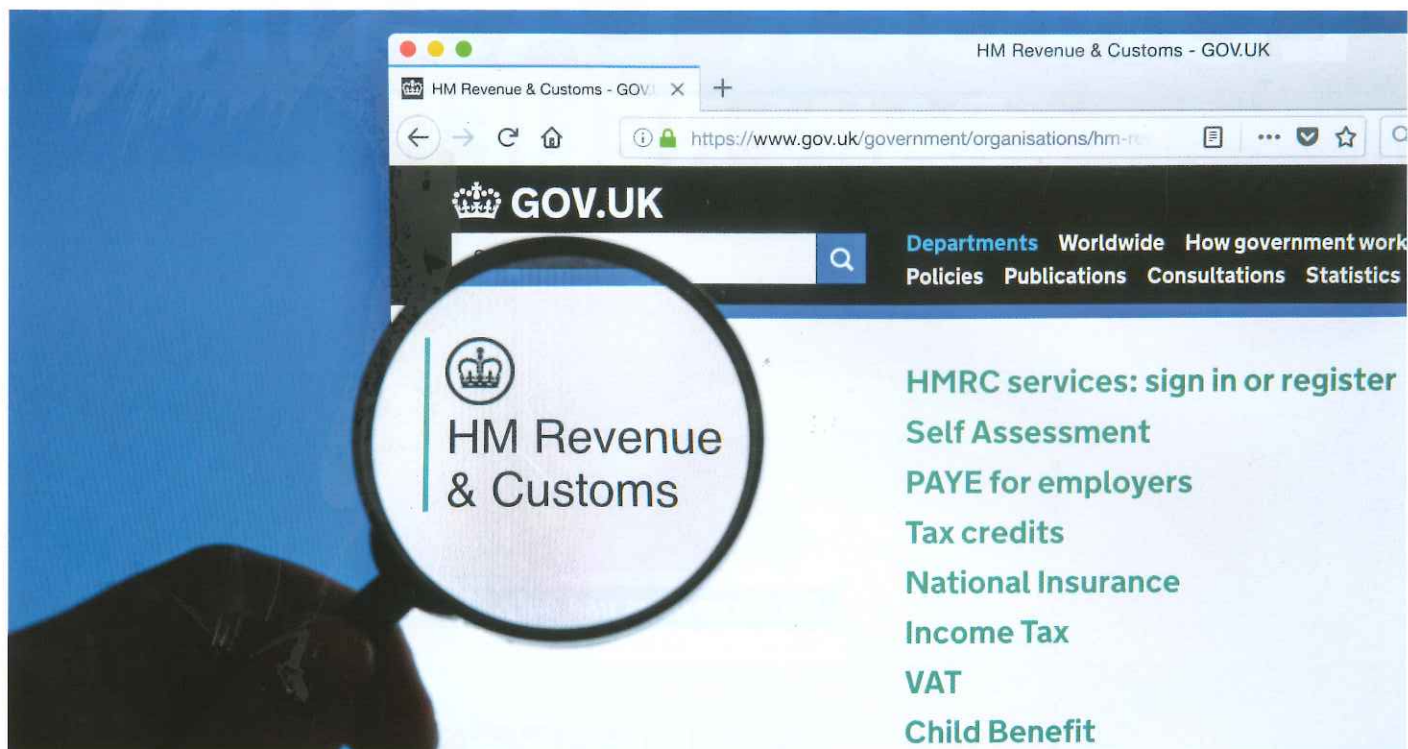
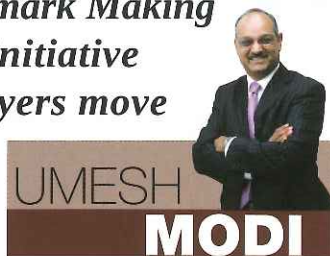


Umesh Modi

Making tax digital for individuals



In the coming years the government will phase in its landmark Making Tax Digital (MTD) initiative which will see taxpayers move to a fully digital tax system. Umesh Modi explains...



Making Tax Digital

Making Tax Digital for Business (MTDfB) was introduced by then Chancellor, George Osborne, in the 2015 Spring Budget. The government's 'Making Tax Easier' document was published shortly after and outlined plans for the 'end of the tax return'. It also set out the government's vision to modernise the UK's tax system, with digital tax accounts set to replace tax returns for ten million individuals and five million small businesses.

Revised timescales

However, industry experts and those within the accountancy sector expressed concerns over the proposed pace and the scale of

the introduction of MTDfB. As a result, the government amended the timetable for the initiative's implementation, to allow businesses and individuals 'plenty of time to adapt to the changes'.

In this article we consider the changes for individual taxpayers.

Making Tax Digital for Individuals

The personal tax account Personal Tax Accounts (PTAs) are digital tax accounts for individuals that have been created by HMRC, and are pre-populated with information held by it. PTAs are designed to permit individual taxpayers to communicate with HMRC, allowing them to update their financial details and check

their tax affairs in real time.

Taxpayers may make use of a PTA to make tax payments, provide bank details to HMRC for tax refund purposes and provide details of taxable benefits from employment: for example, the use of a company car.

Individuals can register for a PTA by visiting www.gov.uk/personal-tax-account. The government predicts that, over time, the requirement to complete and file a tax return will lessen for those with straightforward tax affairs.

Simple assessment

Under Simple Assessment, HMRC has the power to assess an individual's liability to income tax or capital gains tax, without the taxpayer having to fill out and submit a tax return.

Simple Assessment was introduced in September 2017 and has been extended from 6 April 2018 and may now be used to deal with the tax liabilities of:

- State pensioners whose state pension is higher than their personal tax allowance where the tax owed cannot be collected via their tax code.

- Taxpayers with PAYE liabilities who have underpaid tax and cannot have it collected via their tax code.

Taxpayers are required to ensure that the information provided by HMRC is correct and pay their income tax liability online or by cheque before a specific deadline, as outlined within the letter they receive. If the taxpayer believes the information to be incorrect, customers are given 60 days to contact HMRC.

Those that miss the deadline are encouraged to contact HMRC in order to discuss their circumstances. Individuals who fail to do so may be subject to penalties.

Source: Practice Track

This article is based on current legislation and practice and is for guidance only. Specific professional advice should be taken before acting on matters mentioned here. Umesh Modi BA ACA is a chartered accountant, tax adviser and a partner at Silver Levene LLP. He can be contacted on 020 7383 3200 or umesh.modi@silverlevene.co.uk