

# Making Tax Digital for Individuals

The government has started phasing in its landmark Making Tax Digital (MTD) initiative, which will see taxpayers move to a fully digital tax system.

In this factsheet we outline some of the key issues for individuals including the Personal Tax Account and Simple Assessment.

## Making Tax Digital

Making Tax Digital for Business (MTDfB) was introduced 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 initial timetable for the initiative's implementation, to allow businesses and individuals 'plenty of time to adapt to the changes'.

The focus of MTD is currently VAT, which was implemented from April 2019. Self-employed businesses and landlords with annual business or property income above £10,000 will need to follow the rules for MTD for Income Tax from 6 April 2024.

Although MTD has been paused for individuals until at least 2024, HMRC has introduced the Personal Tax Account and Simple Assessment.

## 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](http://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 may 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.

## Development of HMRC projects remain 'paused'

HMRC announced a re-prioritisation of certain HMRC projects in April 2018. This announcement paused the extension of MTD in certain areas, further developments to the PTA and further roll out of Simple Assessment. So far only some pensioners and taxpayers with underpaid PAYE have been moved onto Simple Assessment. The expectation was that more PAYE taxpayers would be moved out of self assessment and into Simple Assessment, however this has now been paused with no indication of when it will be resumed. HMRC has confirmed that it will

continue to encourage more individuals to use their PTA and will focus on improving the existing service to taxpayers.

## How we can help

No matter your personal circumstances MTD will undoubtedly affect you in the long term. Please contact us for more information on MTD.