

Ready for Making Tax Digital?

The tax reporting system is changing for the self-employed and property investors.

Making Tax Digital (MTD) has been one of those major government IT projects subject to significant

delays. Announced in December 2015, it promised that "...by 2020, HMRC will have moved to a fully digital tax system."

While MTD is now fully operative for VAT, it will not start to come into force for some elements of income tax until April 2026... and that could affect you.

THRESHOLDS AND IMPLEMENTATION

MTD will apply to you from April 2026 if you are registered for self assessment and:

- You received income from self-employment and/or property investment before 6 April 2025; and
- You had a gross turnover (strictly 'qualifying income') from self-employment and/or property exceeding £50,000 in 2024/25.

A year later, the MTD threshold will be lowered to over £30,000 of qualifying income in 2025/26.

To encourage compliance with the new MTD regime, which demands quarterly reporting, new rates of late payment penalties for MTD for income tax (and VAT) took effect from April 2025. These are (in addition to late payment interest):

- 3% of the tax outstanding where tax is overdue by 15 days; plus
- 3% where tax is overdue by 30 days; plus
- 10% per annum where tax is overdue by 31 days or more.

If MTD is news to you, make sure you are prepared before your 'joining' date arrives.

❖ *The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.*

How you'll use your pension may influence your investment strategy in the final years. If you plan to keep funds invested, you may want to remain in growth assets. But if you want to cash in or buy an annuity, switching to less volatile assets to protect your funds from sudden downturns just before you retire may be advisable.

Seek advice or guidance on all your options, whether you're a decade away or retirement is imminent. These are complex decisions, so regular reviews of your position could make all the difference.

❖ *The value of your investment and the income from it can fall as well as rise and you may not get back the full amount you invested.*

Past performance is not a reliable indicator of future performance.

Occupational pension schemes are regulated by The Pensions Regulator.

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