

TAX

Making Tax Digital for General Partnerships



WHAT IS MTD?

Making Tax Digital (MTD) is HMRC's initiative to digitise the UK tax system through the phasing in of new digital tax recording and reporting requirements. It is designed to make sure that our UK tax system is effective and efficient for tax payers in an ever changing digital world.

Under MTD, businesses and other taxpayers need to use HMRC - compliant software and processes to submit information digitally every quarter.

Currently, it is compulsory for all VAT registered businesses to comply with MTD for VAT rules. This impacted around 1.1m UK businesses that are registered for VAT with a taxable turnover below the current threshold of £85,000.

From April 2024, the first phase of MTD for Income Tax Self-Assessment (ITSA) begins for self-employed businesses and landlords, and like the requirements for VAT, they will need to report income using compliant software on a quarterly basis.

WHAT IS A GENERAL PARTNERSHIP?

A General Partnership is a normal partnership that does not contain any corporate partners, and is not a Limited Liability Partnership. Details of when other types of partnerships are set to join MTD is yet to be confirmed.

WHEN WILL GENERAL PARTNERSHIPS BE IMPACTED?

General Partnerships with a taxable turnover above £10,000 will need to follow the rules for MTD for Income Tax from accounting periods starting on or after 6 April 2025.

This is the next important phase of MTD following the MTD ITSA deadline for self-employed and landlords, which similarly requires General Partnerships to report income using compliant software on a quarterly basis.

ARE THERE ANY EXEMPTIONS TO THE SCHEME?

General Partnerships earning less than £10,000 a year will not need to sign up to the MTD scheme if they do not wish to.

The scheme will be available for them to use if they wish to do so and there is also a possibility those currently exempt due to earnings will have to sign up in the future.

Other potential exemptions include:

- Those who cannot file digitally due to being a remote location
- If age, disability or other reasons prevent you from being able to interact digitally
- If religious beliefs prevent the use of electronic communications





MTD ITSA FOR GENERAL PARTNERSHIPS - WHAT WILL I HAVE TO DO UNDER THE NEW RULES?

If your General Partnership is affected by MTD for Income Tax, you will have to take the following actions from 6th April 2025:

- Keep records of your business income and expenses in a digital format
- Finalise your business income by submitting an end of period statement (EOPS) along with a final declaration

KEEPING DIGITAL RECORDS

Under MTD for Income Tax, you will need to keep digital records for all your business income and expenses.

You are able to keep digital records using accounting software such as: Quickbooks, Sage, and Xero. We have a wealth of knowledge in all of the leading cloud accounting platforms, like the ones we've mentioned, and our team are able to assist you in finding a solution that is best suited to your business.



SEND QUARTERLY UPDATES

Once you are signed up to MTD for Income Tax, you'll need to send a summary of your business income and expenses to HMRC every three months using MTD-compatible software.

The key deadlines for submitting updates will be the same for everyone who has to follow the MTD for Income Tax rules. General Partnerships will have up to a month after the end of every quarter to send in their MTD information. These deadlines are:

- 5th August
- 5th November
- 5th February
- 5th May

FINALISE YOUR BUSINESS INCOME

At the end of the tax year, you will need to finalise your business income by completing an end of period statement (EOPS), along with a final declaration that replaces the current Self Assessment Tax return.

This process will let you confirm that the updates you have sent are correct and to add any details about personal income or reliefs or make any other necessary adjustments.



PARTNERS & PARTNERSHIPS - THESE ARE DIFFERENT

For MTD ITSA, it is necessary to look at both the partnership, and the partner. Many partners will be required to join MTD for Income Tax from 6 April 2024 should they have a business or rental income above £10,000, in addition to their partnership income.

Although General Partnerships may not join MTD ITSA until 6 April 2025, depending on their circumstances individual partners may need to join on the 6 April 2024 deadline for sole traders and landlords. This would apply should the partner personally own partnership assets such as land or buildings, and rents this to the partnership, which may then trigger the partner's entry into MTD ITSA.

HOW WE CAN HELP

2025 might seem like a distant future, but there is a lot to consider with changes that will impact both individuals and the business. We recommend early planning to get yourself ahead, and to mitigate making any costly mistakes.

We can help you navigate around the changes that lies ahead, and support you in choosing an MTD compatible software that suits your business.

Working with Moore (South) we can give you access to our cloud accounting specialists who are there to guide and train you on cloud accounting software best suited to you and your business.

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