Prepare for Making Tax Digital for ITSA with Xero

MTD for ITSA
- practical implications

External(np)

Self assessment in the UK

12.2m+

Number of SA returns required to be submitted in UK in 2022

452,629

Number of returns filed on paper in 2021-22 year

2.7m+

Landlords in UK in 2021 (latest figures)

47%

Percentage of tax returns outstanding at 1st January 2022

630,000

Returns filed on 31st January 2022

2.2m+

Number of tax returns submitted by outstanding at 1st Feb 2022

£192 billion

Income tax receipts in 2020-21

External(np)

MTD for ITSA: changes

Before

- 1 annual submission
- Paper filings by 31st Oct
- Online filings by 31st Jan
- Fine to keep paper records

After

- 4 quarterly submissions per business
- 1 annual End of Period Statement per business
- 1 annual “Final Declaration” submission per individual
- Filing via MTD-compliant software
- Keeping digital records

MTD for ITSA will impact sole traders & landlords, fundamentally changing the format and frequency of reporting to HMRC.

Keep digital records of all business income & expenses

Many of those affected don't use software today. Records are predominantly kept on paper.

Quarterly updates to HMRC

Currently, this is an annual process as part of self assessment.

MTD-compatible software to send updates

Whilst many people generally already use software, DIY filers file directly with HMRC (paper or online) without 3rd party software.

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The revised Making Tax Digital timeline

A government initiative aimed at closing the ‘tax gap’ and modernising the UK’s tax system through digital record keeping and submission.

Apr 2019: VAT Phase 1
For VAT registered businesses with turnover > £85k

Apr 2022: VAT Phase 2
All VAT registered businesses with turnover < £85k

Apr 2024: Income tax (ITSA)
For self-employed and landlords with income >£10k

Apr 2025: Income tax (ITSA)
For Ordinary Partnerships with income >£10k

Apr 2026: Corporation tax (TBC)

No change to our original plans!

Apr 2022: HMRC ITSA pilot
Xero will be participating in this pilot and bringing on ABs progressively ahead of mandation.

HMRC delayed by a year

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Will MTD for ITSA change the relationship between you and your accountant?

- Responsibility mapping
- Frequency of engagement
- Regular bookkeeping
- Getting clients to go digital
- Workstack/timing implications
- Consider terms of engagement and fees

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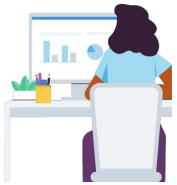
MTD for ITSA - what is the opportunity for you?



Modernise the portfolio/ business

Take relationship with advisor to the next level

Stay compliant

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Personas of MTD for ITSA taxpayers

Confident Cala

I am very involved in the running of my business and am fairly confident with technology. I have an accountant but I expect to be able to manage most things myself, I can also save money that way.

Estimated segment: 5-10%

Last-minute Leo

I want to keep my costs low and I'm not looking forward to this change. I usually leave everything tax related to the last minute. This sounds like another admin burden which takes me away from running my business. I'll speak to my accountant.

Estimated segment: 10-20%

Hassle-free Harry

I don't see myself as a business, I just have a couple of rental properties. I don't want any admin, I'm just going to get my accountant to manage everything for me.

Estimated segment: 40-50%

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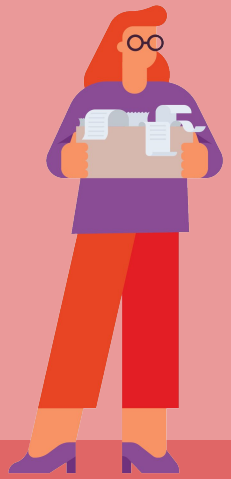
Personas of MTD for ITSA accountants

Efficiency Eddie

I want my clients to manage their quarterly returns so I can focus on higher value work such as end of year submissions, advisory and my other services.



Thorough Thelma

I want to manage as much as possible for my clients as it's how I've always serviced my sole traders and landlords. I will manage their bookkeeping, quarterlies and EOY needs.

Flexi Fara

I want to work in collaboration with my clients and provide the level of service that suits them, based on their comfort levels and budget. Therefore I offer a variety of MTD for ITSA service levels.

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How will Xero support you with MTD for ITSA?

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What is Xero doing for MTD for ITSA?

Helping our existing partner and business customers to be compliant

Ensuring our products meet the needs of sole traders & landlords affected

Extending our tax solution to support collaboration between practices and clients

Our accounting & bookkeeping partners have been able to participate in the HMRC pilot since April 2022.

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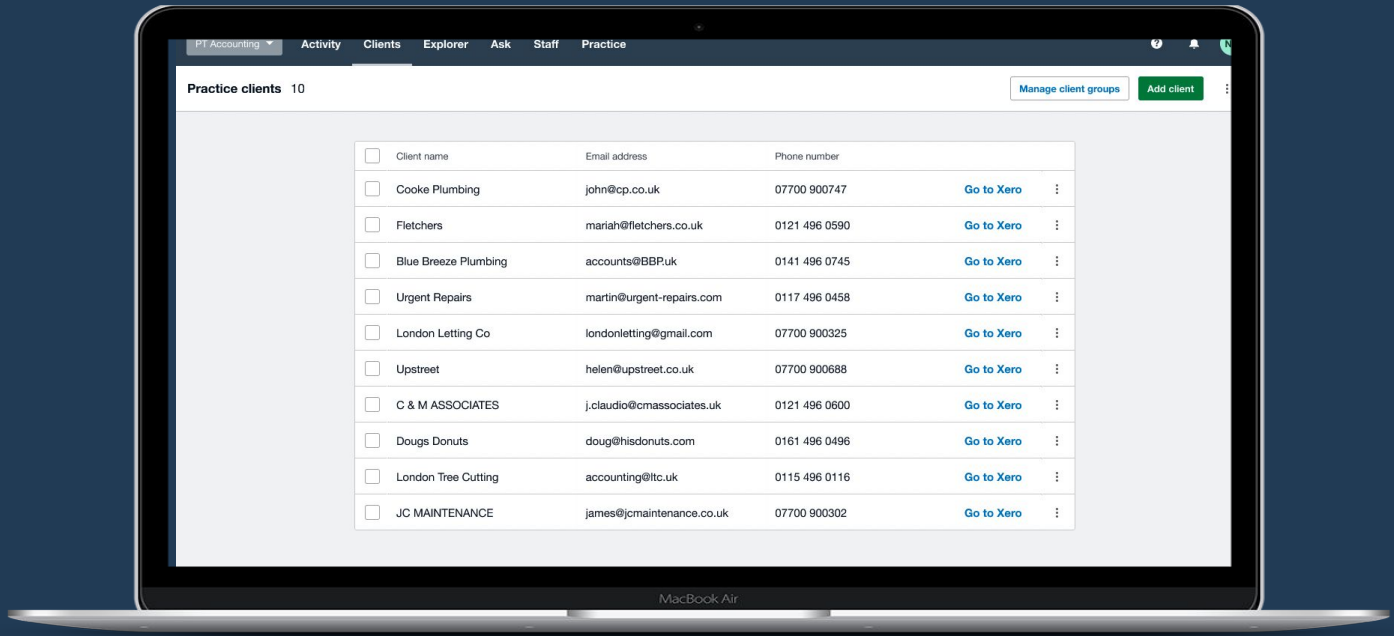
MTD ITSA - Xero Sneak Peak



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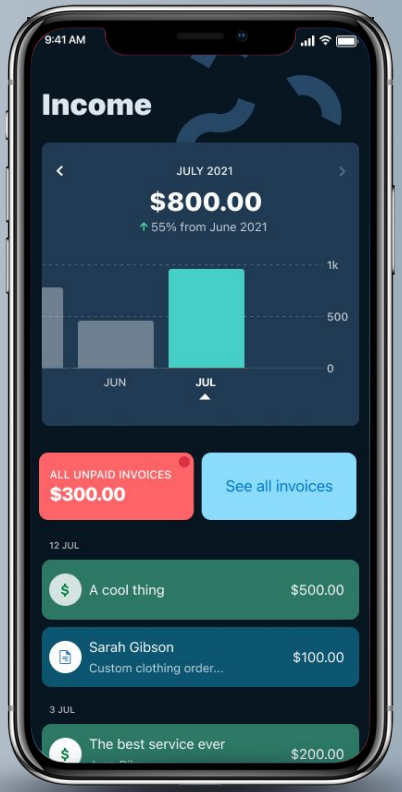
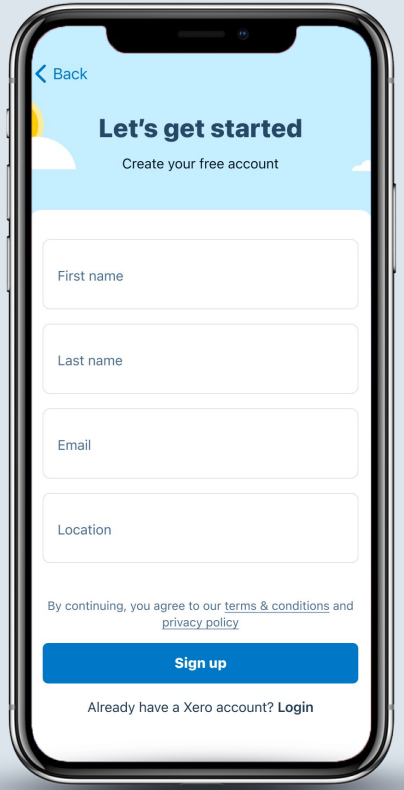
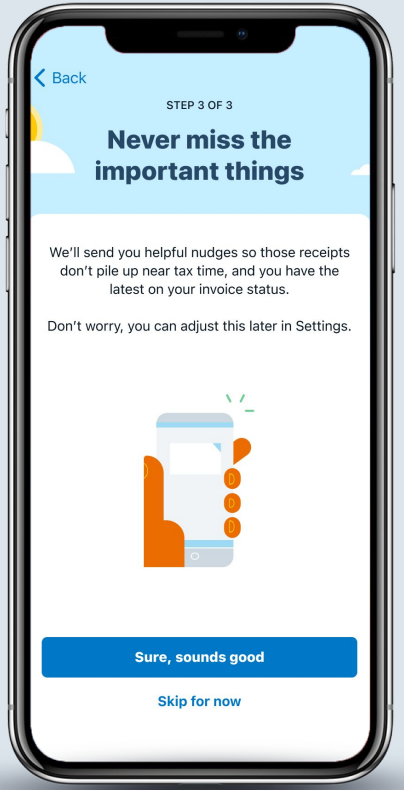
Xero Go


9:41 AM
Income
JULY 2021
$800.00
↑ 55% from June 2021
1k
500
0
JUN
JUL
ALL UNPAID INVOICES
$300.00
See all invoices
12 JUL
A cool thing
$500.00
Sarah Gibson
Custom clothing order...
$100.00
3 JUL
The best service ever
$200.00

Feature overview

Account set up





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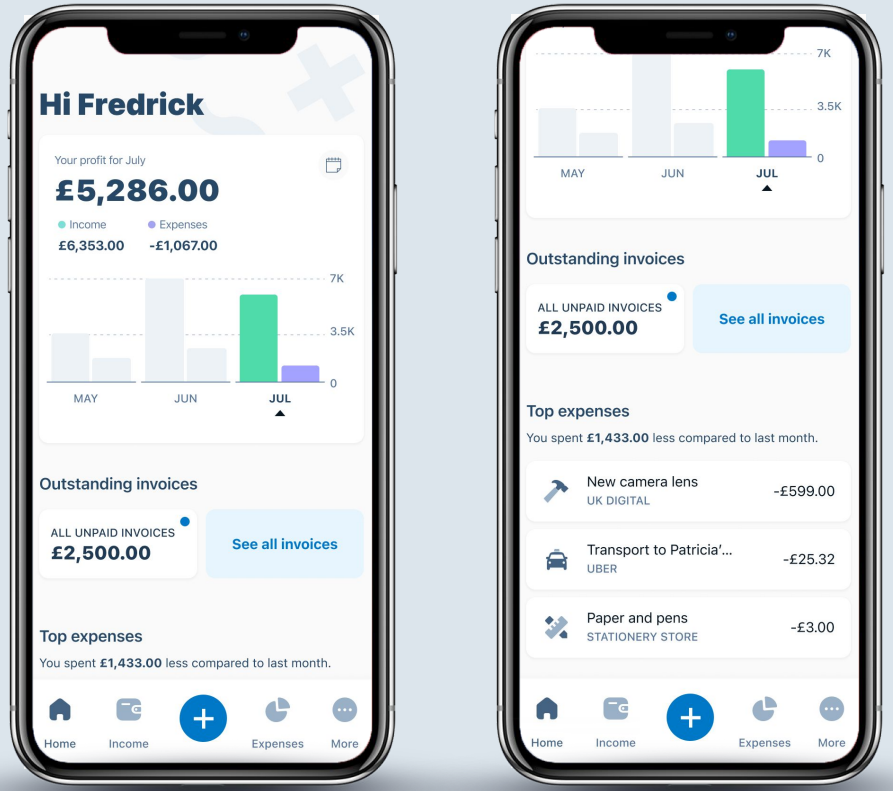
Feature overview

Dashboard



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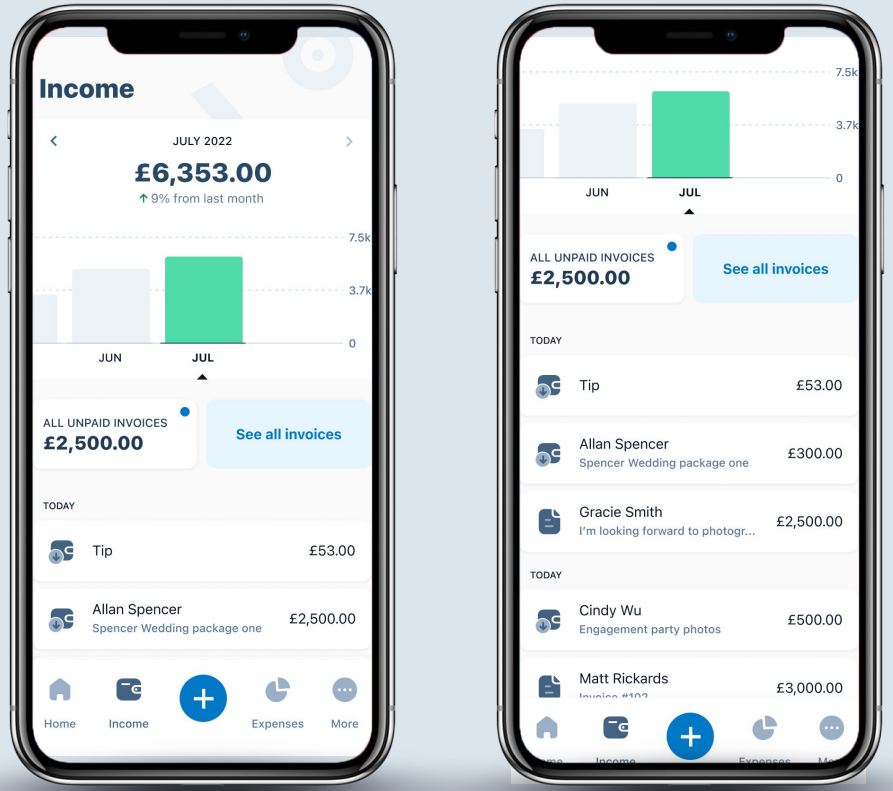
Feature overview

Income overview



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Feature overview

Expenses overview

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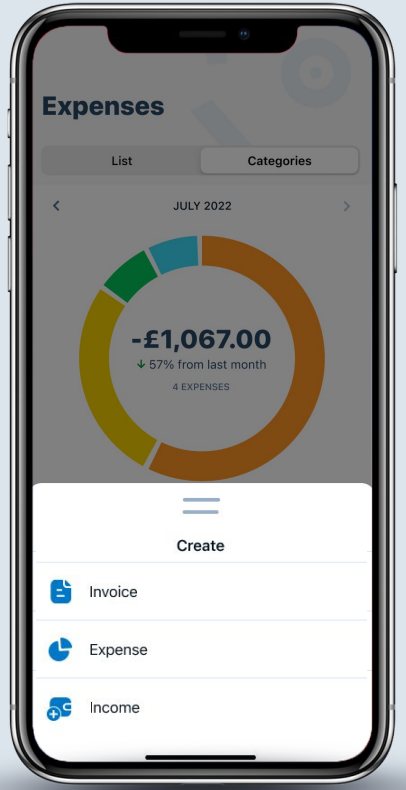
Feature overview

Scan receipts with Quickscan



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MTD for ITSA: Org Number Recommendations

Self Employment

ONE BUSINESS	4 QUARTERLY UPDATES + 1 EOPS	SINGLE XERO ORGANISATION
TWO OR MORE	EACH BUSINESS: 4 QUARTERLY UPDATES + 1 EOPS	XERO ORGANISATION FOR EACH BUSINESS

Property

SINGLE PROPERTY	4 QUARTERLY UPDATES + 1 EOPS	SINGLE XERO ORGANISATION
MULTIPLE PROPERTIES	UK PROPERTY: 4 QUARTERLY UPDATES + EOPS FOREIGN PROPERTY: 4 QUARTERLY UPDATES + EOPS	SINGLE ORGANISATION W/ TRACKING CATEGORIES

Self Employment PLUS

SINGLE PROPERTY	PROPERTY: 4 QUARTERLY UPDATES + EOPS SE BUSINESS: 4 QUARTERLY UPDATES + EOPS	SINGLE ORGANISATION W/ TRACKING CATEGORIES
MULTIPLE PROPERTIES	UK PROPERTY: 4 QUARTERLY UPDATES + EOPS FOREIGN PROPERTY: 4 QUARTERLY UPDATES + EOPS SE BUSINESS: 4 QUARTERLY UPDATES + EOPS	SINGLE ORGANISATION W/ TRACKING CATEGORIES

Jointly Owned Property

TAXPAYER 1	PROPERTY: 4 QUARTERLY UPDATES + EOPS	SINGLE XERO ORGANISATION W/ TRACKING CATEGORIES
TAXPAYER 2	PROPERTY: 4 QUARTERLY UPDATES + EOPS	

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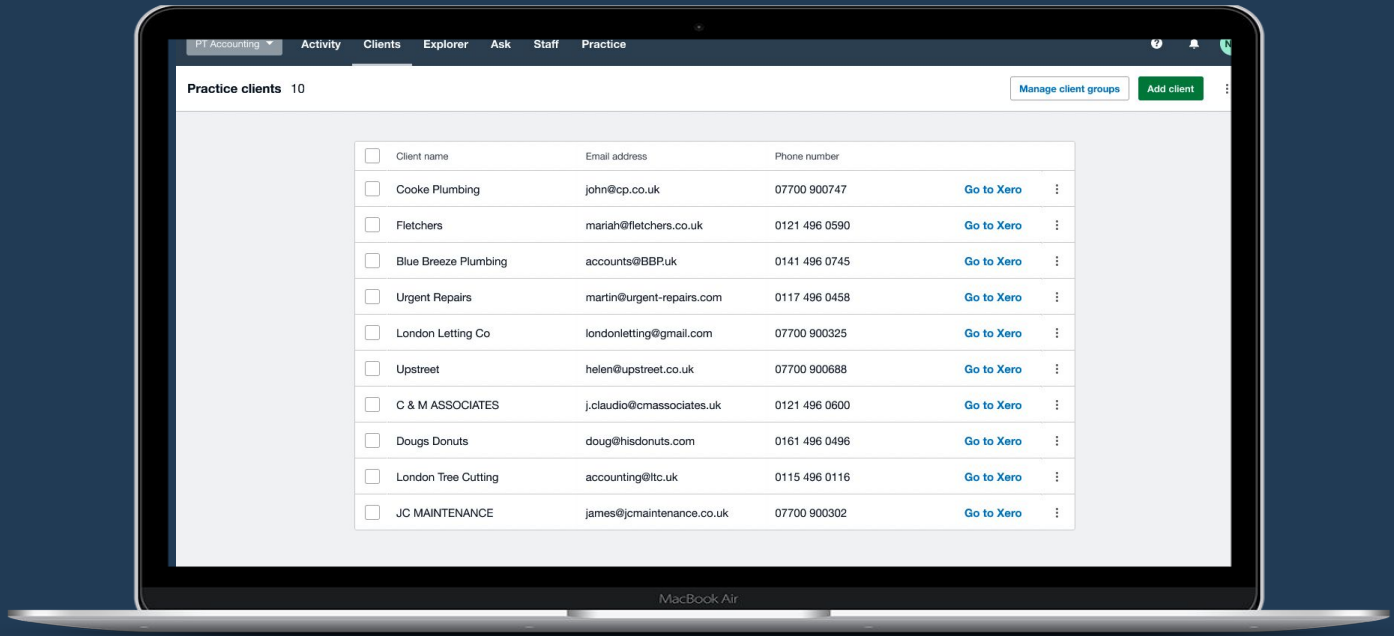
MTD ITSA - Xero Sneak Peak



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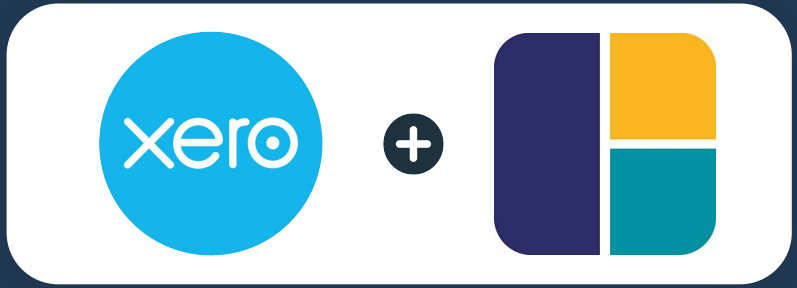
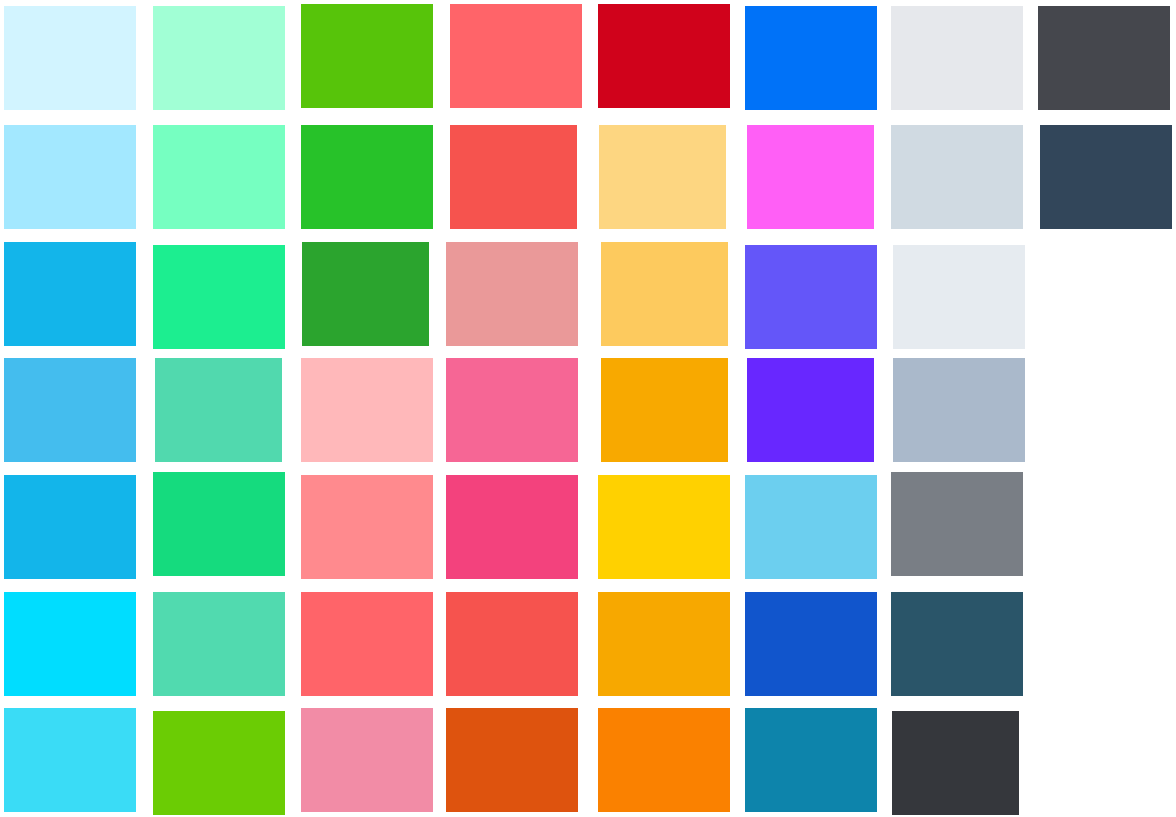
Any questions?



Beautiful business



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