

Making Tax Digital for employed customers with sources of untaxed income they need to report to HMRC

GEETA'S STORY



Geeta is in full time employment as a teacher. Tax is deducted from her wages by her employer. She also has income from private tuition and from a flat she rents out. Her private tuition and rental income add up to more than £10,000 pa. She's required to tell HMRC by sending a Self Assessment tax return.

What does tax feel like for Geeta now?

- Geeta struggles to find time to keep records of her income and expenses and there are some gaps
- Tax doesn't feel simple to Geeta as each income stream is treated separately
- She wants to be sure she's doing things right so contacts HMRC
- She worries about how much tax she will owe and is unsure how much to set aside
- She finds submitting a return time-consuming, and is frustrated as HMRC already holds some of this information

How will Making Tax Digital help Geeta?

- As her secondary income is greater than £10,000 pa, Geeta should record her income and expenses **digitally** and update HMRC **quarterly as a minimum**
- Geeta chooses to use a third party **App on her smartphone** to help her **incorporate record keeping into her routine**
- Geeta chooses to send HMRC information monthly from her App
- HMRC already has information about her teacher's salary so this is **pre-populated into her tax account**
- Geeta's tax account shows her **up-to-date tax position**, including how much tax would be due each quarter on her secondary income
- Geeta chooses to make **regular payments to HMRC by direct debit** to make budgeting easier
- Geeta's smartphone App **signposts her to specific, personalised guidance** offering her certainty around what she needs to do
- Geeta can also use **Ask Ruth**, HMRC's 24hr virtual assistant, to find the right guidance on any queries or seek help from an HMRC adviser **through webchat**

Making Tax Digital for self-employed taxpayers

RICHARD'S STORY



Richard is a self-employed landscape gardener. His business is growing and he has recently crossed the VAT threshold. He has taken on two employees. He has also appointed an agent to help him with his tax.

What does tax feel like for Richard now?

- Tax management isn't part of Richard's everyday activities for running his business
- Richard often does his books weeks in arrears and sometimes makes basic record-keeping errors
- The step change in tax responsibilities means Richard needs additional support
- Richard relies on his agent to tell him how much money to set aside for tax
- He doesn't entirely understand his tax position and lacks confidence to exploit growth opportunities

How will Making Tax Digital help Richard?

- Richard's **record keeping software** helps him keep on top of his business finances, including payroll, on the move
- Richard's **digital tax account** uses information from his record keeping software
- In his digital tax account, Richard can see **all of his taxes information together** in real time
- Richard's agent **can see the same information**
- Both Richard and his agent can set up new employees and **register for new services** from his digital tax account
- HMRC signposts Richard to **interactive guidance** and sends him relevant personalised messages
- Richard chooses to make a **single payment quarterly** to cover his Self Assessment and VAT liabilities, simplifying his finances

Making Tax Digital for pensioners whose pension exceeds their personal allowance which they need to report to HMRC

HELEN'S STORY



Helen is 65, lives alone, is retired and receives a small occupational pension as well as her State Retirement Pension. She has always been in paid employment and has had very little contact with HMRC before throughout her working life. She's digitally confident and uses a tablet for online shopping and banking.

What does tax feel like for Helen now?

- Helen finds tax confusing since she retired
- She now completes an annual SA return because the tax due on her state pension is too large to collect through her occupational pension but cannot understand why she has to tell HMRC about income they already know about
- Whenever she receives a letter from HMRC, Helen phones for an explanation
- Helen isn't convinced she's paying the right amount of tax

How will Making Tax Digital help Helen?

- HMRC receives Helen's State Pension details **from DWP**, and the **NHS submits** real time information about her pension
- All of Helen's income details are brought together in her **Personal Tax Account**
- Helen can **see her tax position in real time** - exactly what she's paid and what's due
- HMRC **prompts Helen** to visit her Personal Tax Account online if anything changes or if there's something she needs to be aware of
- Helen can **easily keep track** of the tax being deducted from her NHS state pension
- All she needs to do is **check the details are correct**
- If Helen does still have a question, she can use **HMRC's 24hr virtual assistant (Ask Ruth)** for advice

Making Tax Digital for small companies

DAVE'S STORY



Dave and his wife are directors of a small supply and fit plumbing company. It's busiest during the winter months and steady throughout the rest of the year. They have recently registered the company for VAT. Dave and his wife are the only employees.

What does tax feel like for Dave now?

- Dave keeps the company's business records on a spreadsheet
- He has an accountant prepare the Corporation Tax (CT) return
- Income fluctuates over the year and he worries about cashflow
- He also worries about his tax obligations and keeping on top of different reporting/payment cycles for different taxes
- Whilst other areas of the company are easily managed 'on the go', tax management is not
- Dave feels disconnected from the company's tax position and misses out on useful support because he's not aware of it

How will Making Tax Digital help Dave?

- Dave chooses a third party record keeping App to help him stay up-to-date throughout the year
- The App supplies Dave's accountant with the company's records throughout the year
- It also prompts Dave in real time to check potential errors
- Updating HMRC quarterly gives Dave more up-to-date information on the company's cash flow and greater certainty about the company's tax bill
- He also links his company bank account to the App so that income and expenditure automatically populates the company's quarterly update
- All of Dave's tax information is together in a single place. All he needs to do is review it and update the company's digital tax account with HMRC
- Dave has also authorised his accountant to view his digital tax account
- Through the App, HMRC can also signpost Dave to relevant help and support such as webinars
- The support feels tailored to the company and helps Dave to make the right decisions for the company