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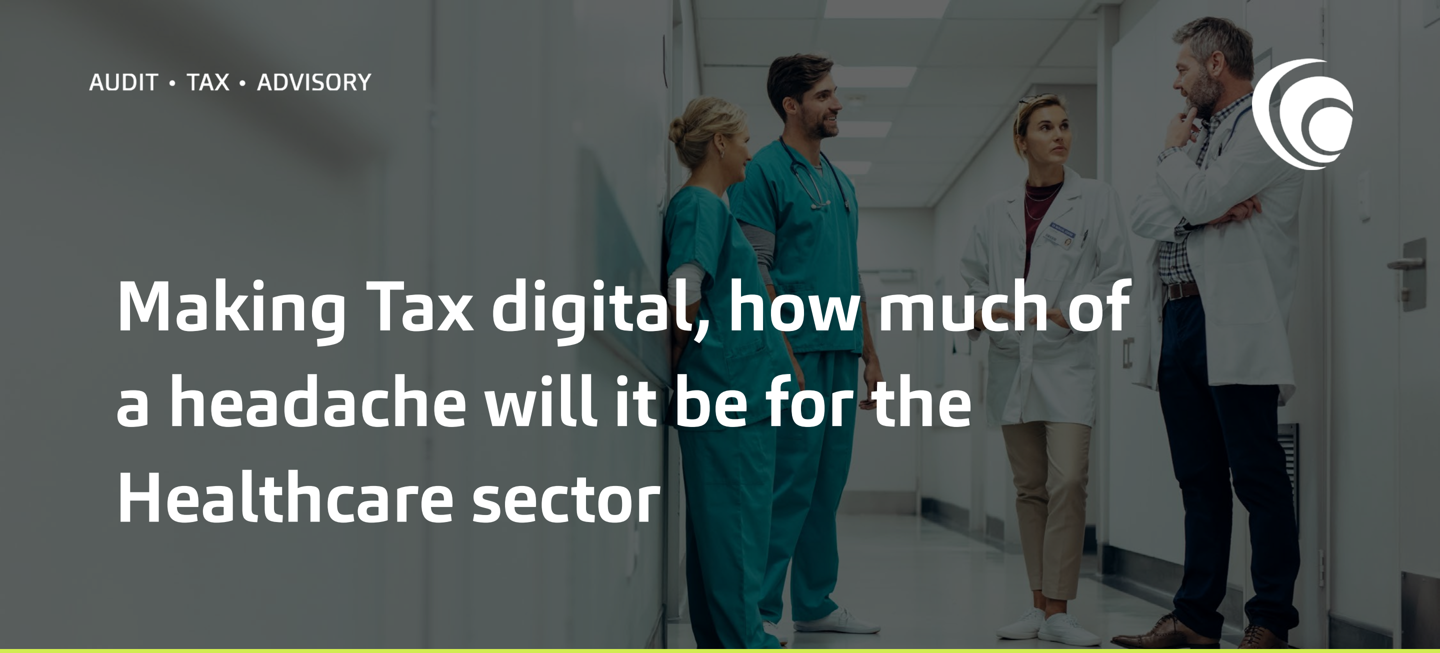

Making Tax digital, how much of a headache will it be for the Healthcare sector

This Focus on sheet concentrates on the background of Making Tax Digital (MTD) and the impacts it may have specifically on the Healthcare sector.

What is Making Tax Digital (MTD)

Making Tax Digital (MTD) for self-employed individuals and landlords with income exceeding £10,000 will be introduced from April 2024, it will be the biggest change to the tax system since the introduction of Self-Assessment for the 1996/1997 tax year. Seeing a complete shift from annual reporting to quarterly reporting.

As an example, using a 31 March year end, quarterly reports would be required as follows:

	Period covered	**Due by**
Quarter 1	April – June	7 August
Quarter 2	July- September	7 November
Quarter 3	October – December	7 February
Quarter 4	January – March	7 May
Final declaration	April – March	31 January following year end

This is initially for individuals and will extend to most Partnerships from April 2025, however it should be noted that consultants and GP partners with private income are likely to fall within this. In addition, those with both self-employment income and property income will be required to combine the sources to determine if they exceed the £10,000 threshold or not.

For example, an individual with both sources of income:-

Property income **£5,000**

Self-Employment income **£5,500**

Total relevant income £10,500, therefore this individual would fall within MTD from April 2024. At this time, only these sources would be reportable under MTD.

Under this proposal there is no expectation of tax payments being demanded on a quarterly basis, rather than the current situation of half yearly (payments on account and balancing payments). However, this change to reporting, once fully operational, does open up the possibility of the submissions being linked to the payments due, and it would not be surprising if this were to be the case in the future. Afterall this then reduces the gap between profits being earnt and the tax being paid.

The example illustrated a 31 March year end, but what about those with alternative year ends? To bring the system into line with tax year reporting, the latest proposal from the Government looks to address this with a basis period reform in April 2023.

Basis Periods

This reform may be of more concern to the Healthcare sector, with practice year ends being very varied. With any year end change means additional profits being chargeable in one year, rather that spread over two. When a business began it may have paid tax twice, leading to overlap relief being created and this can be offset when the year end changes to 31 March, however this overlap relief is unlikely to be significant compared to the additional profits being taxed.

The consultation is therefore looking at giving transitional relief, with the additional tax being spread over five years instead of just the one year.

Expenses

Another aspect to consider is the professional expenses for GP Partners and that, if in the future payments were to be required then Doctors expenses would need to be incorporated into the quarterly information. This is an opportunity to put in place processes for these whilst MTD is not mandatory.

To assist with the increased administrative burden, it may be time to look at a cloud accounting software, that will not only be MTD compliant but also provide real time information if data is kept up to date.

We are looking into solutions and welcome questions regarding how this may affect you and your practice going forward.

Partnerships

It is understood that general partnerships will fall within the MTD regime from April 2025 under current plans, however a vast amount of preparation will be required to be ready for this.

An important point to be aware of, is that if income is received by a GP partner outside of the partnership, then this is likely to fall within MTD from April 2024, so it is important not to get caught out.

For further information contact our specialist:

Hayley Benn
webenquiries@mhllp.co.uk