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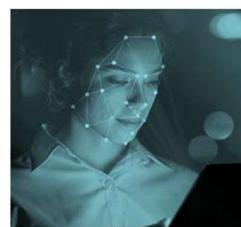
Accounting and Tax Services

Newsletter - May 2025

Hello and welcome to another issue of my mini newsletter. This issue focuses on 2 important topics - the first will affect all Limited Companies and LLPs and the second a substantial number of sole traders and landlords.

Companies House - new identity verification for Directors and others.

As previously mentioned Companies House is making significant changes to Identity Verification for Directors, Persons with significant control and Members of LLPs amongst others. The changes **from this Autumn** will include:



- a **All new appointments** will require ID Verification, it will not be possible to add a Director to an existing Company or set-up a New Company or LLP without the person(s) completing the ID Verification process.
- b **For existing Directors**, members etc there is a transitional 12 months to verify ID and this will probably need to be done when the annual Confirmation statement is filed at the latest.
Voluntary verification is now open - there is no need to wait until the Autumn.
- c **How to Verify ID** - this can be done directly, for free, with Companies House via GOV.UK One Login. Once completed you will receive a Companies House personal code which you should keep safely as it will be needed to file going forwards.
<https://www.gov.uk/guidance/verify-your-identity-for-companies-house>
- d **Authorised Corporate Service Providers (ACSPs)** - Third parties (such as accountants) who file for Companies will also need to register and verify their ID by Spring 2026. Some may be able to carry out ID Verification for clients.

Making Tax Digital for Income Tax Self -Assessment

After several years of delay it has been confirmed that Making Tax Digital is going to take effect from next April, initially for individuals whose qualifying income is over £50,000 based on their 2024/5 tax return filing.

Those with over £30,000 of qualifying income will start from the year after and then those with over £20,000 are expected to join from April 2028.



- a **What is qualifying income** - This is gross income from self-employment and/or rental property combined. Gross means before expenses so it's turnover/sales and/or rents received. If the amounts of both combined are over the threshold then you will have to register for MTDITSA.
If all your income is from employments, pensions and/or investments other than property (dividends, interest etc) then MTDITSA does not apply to you.
- b **Joint income and partnerships** - if you receive rents on a jointly owned property then your share is counted as your qualifying income. This is not considered a partnership by HMRC. Other business partnerships, where you file a partnership tax return, are not included in MTDITSA although this is potentially going to be introduced in the future.
- c **What to do if you qualify** - once HMRC are aware your qualifying income is over the threshold they will write and inform you that you have to sign up and the date you must sign up from. You will need to sign up each business separately if you have more than one. (UK rental income counts as one business and foreign rental as a separate one).

Next you need choose some compatible software and start keeping your business records digitally no later than the date from which you are registered - this could be using an accounting package, or it could be as simple as downloading your bank statements to excel and using a spreadsheet with "bridging" software. HMRCs list of approved software is here

<https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax>

d Quarterly submissions - Submissions to HMRC have to be made quarterly - the first submission for those starting from April 2026 will be income for the quarter ended 5/7/26 (or 30/6/26) which must be filed using the online process by 5/8/26.

Each business needs a separate submission. For businesses with a turnover under £90,000 this will just be turnover and total expenses split. For larger business a breakdown of expenses will be required as on the current tax return. For rentals the residential finance costs must be recorded separately from other expenses.

There will be a 5th and final submission after the end of the tax year called a final declaration which has any adjustments to the quarterly filings and also brings in other non MTDITSA income. This replaces the current self-assessment tax return.

e Record keeping - under MTDITSA you keep a digital record of how the figures filed for sales, rents and expenses were arrived at. You also still need to keep supporting documents such as invoices, bank statements etc (on paper or digitally). All records need to be kept for 6 years as now.

f New businesses - initially these will file under the current self-assessment system, then once they reach the threshold will be mandated into MTDITSA, so earliest will be the third tax year of trading although earlier is allowed voluntarily. Eg If a person starts a business in 2026/7 tax year and sales are £60,000, then files self-assessment return for first year by January 2028 they will have to join MTDITSA from April 2028.

g Leaving MTDITSA - unfortunately once you are in the scheme you cannot leave until your qualifying income has been below the threshold for 3 consecutive tax years or your business all cease trading.

h More information can be found on HMRC's website on .gov.uk

Cryptocurrency

There is a new box on the 2024/5 self-assessment tax return (under Capital Gains) for cryptocurrency.

Usually HMRC treat realised crypto profits/losses as Capital Gains and Losses (similar to shares). These now have to be itemised separately from gains and losses on other assets which will assist HMRC in matching up gains reported by UK crypto exchanges with individual taxpayers.

The annual CGT allowance of £3,000 is available if not used elsewhere and losses can be claimed as CGT losses to offset against future gains. The gain/loss is only calculated on disposal of the crypto asset, fluctuations while you hold it are irrelevant.



SELF-ASSESSMENT TAX RETURN FOR 2024/5 - Do you need to file? Check here:

<https://www.gov.uk/check-if-you-need-tax-return>

HMRC are increasingly removing people from self-assessment - there is now no longer a total income threshold. To find out if HMRC have sent you a notice to file a tax return you can check your **personal tax account** via the Government Gateway. (I recommend you set one up if you haven't already).

You probably will not need to file a tax return if your only untaxed income is

- a** Dividends under £10,000 (and above the tax free £500) and/or
- b** Other untaxed income between £1,000 and £2,500

You must still notify HMRC of the above income either through your personal tax account or by phoning them on 0300 200 3300 (be prepared to hold for a while!)

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