

Income Tax Notice XX: Retail Sales, Update Information, End of Period Information and Partnership Information

1. To which matters does this notice relate?
 - 1.1. This notice provides information about the obligations businesses will need to meet under the Income Tax (Digital Requirements) Regulations [YYYY] (“the regulations”).
 - 1.2. It explains what information businesses will need to include when providing their update information to HMRC each quarter. It also explains what additional information businesses will need to provide to finalise their taxable business profits (or losses) as part of their End of Period Statement or Partnership Return.
 - 1.3. It also explains the varied digital record-keeping requirement for those businesses that have made a retail sales election under the regulations.
 - 1.4. Throughout this notice, where we use the term “person” or “partnership”, we mean those subject to requirements as detailed in Schedule A1 to the Taxes Management Act 1970 (TMA) and where we use the term “business”, we use the meaning conferred by paragraph 6 of Schedule A1 to TMA. Broadly, this includes most trades, professions, vocations and property businesses.
2. What is Making Tax Digital for Business?
 - 2.1. Making Tax Digital for Business (MTDfB) will bring the tax system into line with what businesses expect from other service providers: a modern digital experience. It is a key part of the government's initiative to transform HM Revenue and Customs (HMRC) into a world leading, digital tax authority.
 - 2.2. It introduces the requirement for businesses to keep digital records and provide quarterly updates. As well as reducing the amount of tax lost through errors in record keeping, MTDfB will give businesses a clearer view of their tax position in-year. Businesses will use software to maintain the digital records of transactions and, as a result of providing updates more regularly, will receive tailored digital prompts and nudges to improve compliance. In turn, this will help businesses understand the support that the government provides through the tax system.
 - 2.3. Businesses will not be mandated to use the MTD system until April 2019 and then only to meet their VAT obligations. This will apply to businesses with turnover above the VAT threshold. Businesses with turnover below the VAT threshold will not be required to use the system but can choose to do so benefitting from a streamlined, digital experience, to include for Income Tax. Further information, to include choosing appropriate software can be found at <insert link to guidance>.

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- 2.4. HMRC will not widen the scope of MTD beyond VAT before the system has been shown to work well, and not before April 2020 at the earliest. This will ensure that there is time to test the system fully and for digital record keeping to become more widespread
- 2.5. This notice provides general guidance but some elements have force of law under the regulations. Throughout this document we have used boxed text to indicate where the notice has the force of law

This is an example of how we highlight those elements of the notice which have force of law

3. What are digital records?

- 3.1. For the first time, HMRC will specify how businesses must keep in digital form a subset of the records they are already required to keep now under Section 12B of the Taxes Management Act 1970. Further information on the general record keeping requirement that applies to all taxpayers can be found here <insert link to guidance on s12B TMA>.
- 3.2. This means businesses will have to keep a record of each transaction that occurs in the course of their business. Businesses are encouraged to make record keeping a part of running their business. Software will help businesses understand how they should categorise their digital records for the purposes of providing their quarterly updates. The categorisation of quarterly updates is set out later in this notice.
- 3.3. There is no requirement for businesses to scan or photograph the original record of the transaction, although some software will have the functionality to do this. However, businesses will need to ensure that a digital record of each transaction is created within their software and categorised appropriately.

Retail Sales

- 3.4. HMRC recognises that for retail businesses, which may have a high volume of low value transactions, the requirement to keep a digital record of each transaction may not be reasonable.
- 3.5. The regulations enable a business that has such retail sales to make an election, by notifying HMRC through its software, to maintain a digital record of their gross daily takings in relation to retail sales, instead of having to maintain a digital record of each individual transaction.

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Table 1**The following text has the force of law under regulation 18**

- 3.6. Businesses, which have made a successful election under Part 5 of the regulations, may fulfil their obligations under Part 2 of the regulations by keeping and preserving a single digital record of their daily gross takings for any retail sales made.
- 3.7. This means a business may create a single digital record for the total value of each day's gross retail sales, instead of separate records of each individual transaction.
- 3.8. The gross daily retail sales digital record must include:
- All payments as they are received by the business or on the business's behalf from cash customers for retail sales. This includes payments by cheque, debit or credit card, switch, Delta or similar electronic transactions and electronic cash; and
 - The full value of all credit or other non-cash retail sales received by the business or on the business's behalf. This includes the full value of credit sales, the cash value of payment in kind for retail sales, the face value of gift, book and record vouchers received and any other payments for retail sales.
- 3.9. A business may exclude the following types of transactions from the digital record of its daily gross takings
- Counterfeit notes,
 - Illegible credit card transactions,
 - Inadvertent acceptance of a cheque guarantee card as a credit card,
 - Inadvertent acceptance of foreign currency (where discovered after their acceptance),
 - Inadvertent accepts of out of date coupons which are not honoured by promoters,
 - Instalments in respect of credit sales,
 - Receipts recording for supplies which are to be recorded outside of the election,
 - Refunds to a customer for overcharges or faulty/unsuitable goods,
 - Float discrepancies,
 - Unsigned or dishonoured cheques from cash customers,
 - Use of training tills, and
 - Void transactions

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- 3.10. The daily gross takings record will often come from a business's till roll or copies of its sales vouchers. It is usually these records and not simply cash in hand that constitutes what must be included in daily gross takings.
- 3.11. Businesses must not include any transactions that are not retail sales as part of their gross daily takings digital record.
- 3.12. An election under Part 5 of the regulations has no impact on any records a business may be required to keep as a result of the record keeping obligations with Section 12B of the Taxes Management Act.
4. What information must I provide as part of my quarterly update?
- 4.1. At least every three months businesses will be required to submit summary totals of the digital records that they have been keeping.
- 4.2. Businesses' records will need to have been categorised within their software before they are provided to HMRC.
- 4.3. In addition, business will be required to provide certain designatory data with their first update and then notify HMRC where there are changes to this data.
- 4.4. All businesses will have one month after the end of their quarterly period to provide their update to HMRC. For individuals, updates will need to be provided in respect of each activity that is covered by Making Tax Digital. For partnerships, all of the activities of a partnership must be included in a single update.

Table 2

The following text has force of law under regulation 8

- 4.5. When businesses provide their first quarterly update to HMRC, they must include the following information. This information is referred to as "designatory data" and helps HMRC identify the individuals, their business and provide an estimate of their tax liability.
- 4.6. Business are not required to provide designatory data with any subsequent quarterly updates, unless there has been a change. Where there is a change, businesses should identify the information which has changed and provide the most up to date information with the next quarterly update.

Personal Designatory Data

- Name
- Address
- Date of Birth

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- Telephone Number
- National Insurance Number

Business Designatory Data

- Business Name
- Unique Tax Reference
- Description of Business
- Business Address - Including postcode
- Date business started - DD/MM/YYYY
- Date business ceased - DD/MM/YYYY
- Does the business draw up accounts?
 - If so, Accounting Period Start - DD/MM/YYYY
 - And Accounting Period End - DD/MM/YYYY
- Basis Period Start -DD/MM/YYYY
- Basis Period End - DD/MM/YYYY
- Does the business account for income tax using the cash basis -Yes/No
- Has the business made an election under Part 5 of the regulations (retail sales) - Yes/No
- Trade Type and Classification - Selected from a standardised list

Additional Designatory Data for those with Property Income

- Type of Property Business- United Kingdom(UK) or Overseas
- Number of properties rented out in UK
- Number of properties rented out overseas
- Does the business include Furnished Holiday Let in UK - Yes/No
- Does the business include a Furnished Holiday Let in the European Economic Area? - Yes/No
- Is the property jointly let? Yes/No (with details of with whom where applicable)
- Non-resident landlord status
- Rent a room relief

Additional Designatory Data for Partnerships

- Type of Partnership - from a standardised list
- Name of Nominated Partner
- Nominated Partner National Insurance Number

And for each partner

- Name
- Address
- National Insurance Number
- Unique Tax Reference
- Date joined partnership
- Date left partnership
- Individual or Corporate Partner

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Table 3

The following text has force of law under regulation 8

- 4.7. Businesses must include in their quarterly updates summary totals of their categorised digital records.
- 4.8. The categories of information that must be included in a business's quarterly updates are dependent on the type of activity that the business is reporting through Making Tax Digital. These are detailed below.

Businesses with Trade Profits (income chargeable under Part 2 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA))

- 4.9. These businesses must provide the following categories of information in each quarterly update:
- Update Period Start Date
 - Update Period End Date

Business Income

- Turnover - takings, fees, sales or money earned
- Other business income

Business Expenses

- Cost of goods bought for resale or goods used
- Construction Industry - payments to subcontractors
- Wages, salaries and other staff costs
- Car, van and travel expenses
- Rent, rates and insurance costs
- Repairs and maintenance of property and equipment
- Phone, fax, stationery and other office costs
- Advertising
- Business entertainment costs
- Interest on bank and other loans
- Bank, credit card and other financial charges
- Accountancy, legal and other professional fees
- Goods and services for own use
- Total Construction Industry Scheme deductions
- Other business expenses

Reduced Quarterly Update Information Requirement

- 4.10. Those businesses with turnover below the current VAT registration threshold may choose to provide a reduced number of categories as part of their quarterly update.
- 4.11. Where a business is eligible and chooses to do so, their quarterly update need only include the following categories of information:

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Income

- Turnover - takings, fees, sales or money earned
- Other business income

Expenses

- Total allowable expenses

- 4.12. This is reduced requirement, applying only to a business's trade profits income and expenses.
- 4.13. Businesses choosing this reduced requirement must still provide the required designatory data as part of their first quarterly update to HMRC and must, in subsequent quarterly updates, provide up to date designatory data where there has been a change.
- 4.14. Nothing in this notice allows businesses to categorise their digital records only by reference to turnover, other business income and total allowable expenses.

Property Income (income chargeable under Part 3 of ITTOIA)

- 4.15. All businesses with property income must provide the following categories of information in each quarterly update:
- Update Period Start Date
 - Update Period End Date

UK property (not UK or EEA furnished holiday lettings)

- 4.16. These businesses must provide the follow categories of information in their quarterly updates:

Property Income

- Total rents
- Other income
- Tax taken from total rents and other income from property
- Premiums for the grant of a lease
- Reverse premiums and inducements

Property Expenses

- Rent, rates, insurance, ground rents
- Property repairs and maintenance
- Loan interest and other financial costs
- Legal, management and other professional fees
- Costs of services provided, including wages
- Other allowable property expenses

Overseas property (not EEA furnished holiday lettings)

- 4.17. These businesses must provide the follow categories of information in their quarterly updates:

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Property Income

- Total rents
- Premiums paid for the grant of a lease
- Other receipts

Property Expenses

- Rent, rates, insurance, ground rents
- Property repairs and maintenance
- Loan interest and other financials costs
- Legal, management and other professional fees
- Costs of services provided, including wages
- Other allowable property expenses

Furnished Holiday Lettings (FHL) in UK

4.18. These businesses must provide the follow categories of information in their quarterly updates:

FHL Income

- Rent received
- Income from any services provided to tenants

FHL Expenses

- Rent paid, repairs insurance and costs of services provided
- Loan interest and other financial costs
- Legal, management and other professional fees
- Other allowable property expenses

Furnished Holiday Lettings in the EEA

4.19. These businesses must provide the follow categories of information in their quarterly updates:

FHL Income

- Rent received
- Income from any services provided to tenants

FHL Expenses

- Rent paid, repairs insurance and costs of services provided
- Loan interest and other financial costs
- Legal, management and other professional fees
- Other allowable property expenses

Partnerships

4.20. In their quarterly updates, partnerships must provide the categories of information relevant to the particular types of business income they receive (for example trade profits or property income) as described above. Additionally, they must provide the following categories of information in their quarterly updates:

Savings and Investment Income

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- Interest and alternative finance receipts from UK banks and buildings societies paid without tax deducted
- National Savings and Investments
- Other income from UK savings and investments (except dividends)
- Interest and alternative finance receipts paid with tax deducted
- Amount of tax deducted from above
- Interest distributions from UK authorised unit trusts and UK open-ended investment companies (OEIC) and investment trusts
- Amount of tax deducted from above
- Other taxed income from UK savings and investments
- Amount of tax deducted from above
- Dividends from UK companies
- Dividends distributions from UK authorised unit trusts and OEIC
- Stock dividends from UK companies
- Bonus issues of securities and redeemable shares and loans written off
- Other income received without UK tax deducted (Profit & Loss)
- Other income received with UK tax deducted (Profit & Loss)

5. What information must I provide to finalise my taxable business profits?

- 5.1. All business must provide HMRC with the information necessary to finalise their taxable profits (or losses).
- 5.2. For most businesses, this is provided through an End of Period Statement following the end of their relevant period. A relevant period is either a person's basis period or where they do not have a basis period, the tax year.
- 5.3. However, for partnerships this is provided through a Schedule A1 Partnership Return following the end of the tax year and must include all income that falls to be taxed in that tax year.
- 5.4. All businesses will continue to be required to calculate their taxable profits in accordance with the relevant tax legislation. Further details on calculating taxable business profits can be found here <insert link to guidance>.

Table 4

The following text has force of law under regulations 13 and 14

Summary totals in End of Period Statements and Schedule A1 Partnership Returns

- 5.5. In order to finalise taxable business profits (or losses), an End of Period Statement or Schedule A1 Partnership Statement must

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include the totals for the relevant period of all of the applicable categories as detailed in Table 3.

- 5.6. In relation to trade profits where the reduced quarterly update information requirement applies (as described in Table 3), an End of Period Statement or Schedule A1 Partnership Return need only contain turnover, other income and total expenses instead of the detailed breakdown otherwise required to finalise their taxable profits (or losses). As with quarterly updates, this is only available to those with profits from trade and does not affect any other requirement to provide the information under this Table.
- 5.7. In addition, where there has been any change since the last quarterly update to the designatory data required under Table 2, the revised designatory information should be included in the End of Period Statement or Schedule A1 Partnership Return.
- 5.8. Where a business has not already considered whether the digital records included in each expense category included any element which was disallowable, the business must ensure that any disallowable expenditure is removed from the appropriate categorisation prior to providing the total for the relevant period.

Additional information in End of Period Statements

- 5.9. In addition to the summary totals as detailed in Table 3 for the relevant period, a business's End of Period Statement must also include the following additional information:

Trade Profits (income chargeable to Part 2 of ITTOIA)

- Tax Allowance for vehicles and equipment
- Annual Investment Allowance
- Capital Allowances for main pool costs
- Capital Allowances for special pool costs
- Capital Allowances for single asset pool costs
- Zero-emission goods vehicle allowance
- Business Premises Renovation Allowance
- 100% and other enhanced capital allowances
- Allowances on sale or cessation of business use

- Balancing charge on sale or cessation of business use (only where Business Premises Renovation Allowance has been claimed)
- Balancing charge on sales of other assets or on the cessation of business use

- Adjustment required if basis period is not the same as accounting period

- Overlap relief used
- Overlap profit carried forward

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- Adjustment for change of accounting practice
- Averaging adjustment
- Adjusted Profit or loss for the year
- Adjustment to profits chargeable to Class 4 National Insurance Contributions

Property Income (income chargeable to Part 3 of ITTOIA)

- 5.10. In addition to the summary totals for the relevant period of the categories required for the quarterly update, they must also include the following additional information according to the type of property income they receive.

UK property (not UK or EEA furnished holiday lettings)

- Private use adjustment
- Balancing charges
- Annual Investment Allowance
- Business Premises Renovation Allowance
- Zero emission good vehicle allowance
- Other Capital Allowances
- Cost of replacing domestic items
- Rent a room exempt amount
- Loss brought forward used against this year's profits
- Adjusted Profit or loss for the year

Overseas property (not EEA furnished holiday lettings)

- Private use adjustment
- Balancing charges
- Capital Allowances for equipment and vehicles
- Zero-emission goods vehicle allowance
- Cost of replacing domestic items
- Adjusted profit or loss for the year

For Furnished Holiday Lettings (FHL) in UK

- Private use adjustment
- Balancing charges
- Capital allowances
- Adjusted profit or loss for the year

For Furnished Holiday Lettings (FHL) in EEA

- Private use adjustment
- Balancing charges
- Capital allowances
- Adjusted profit or loss for the year

Additional information in Schedule A1 Partnership Returns

- 5.11. In addition to the summary totals required, as applicable in Table 3, a Schedule A1 Partnership Return must also include the following

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information.

- 5.12. The equivalent information to that outlined in Paragraphs 5.9 and 5.10 above where the Partnership has income which would be treated as trade profits or property income in the hands on the partners.
- 5.13. Information relating to a disposal of chargeable assets:
- Description of asset
 - Disposal proceeds
 - If shares or securities were disposed of, whether they are listed
- 5.14. The information required to establish the share of the profit or loss for each partner. (This information would have previously been supplied through the partnership statement.) In particular, for each partner:
- Share of profit from trade or profession
 - Adjustment on change of basis
 - Loss from trade or profession
 - Business Premises Renovation Allowance
 - Share of income from untaxed UK savings
 - CIS deductions made by contractors on account of tax
 - Other tax taken from trading income
 - Partnership trade charges
 - Income from untaxed foreign savings
 - Foreign dividends
 - Other untaxed UK income
 - Income from offshore funds
 - Profit (or loss) from UK property
 - Profit from UK or EEA Furnished Holiday Lets
 - Loss on foreign let property
 - Dividend income
 - Savings Income
 - Foreign tax paid or treated as paid