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MANAGING MULTIPLE MTD FOR INCOME TAX BUSINESSES OR TAXPAYERS WITH **ONE XERO SUBSCRIPTION**



 SUBMITTED
TO HMRC

Introduction

If you run more than one sole trader business or earn income from multiple properties, this guide is for you. We'll show you how to manage your Making Tax Digital for Income Tax (MTD for IT) setup in Xero — so you can stay compliant and keep everything in one place.

Note: This setup is only for MTD for Income Tax. If you have more than one limited company, you'll need separate Xero subscriptions for each.

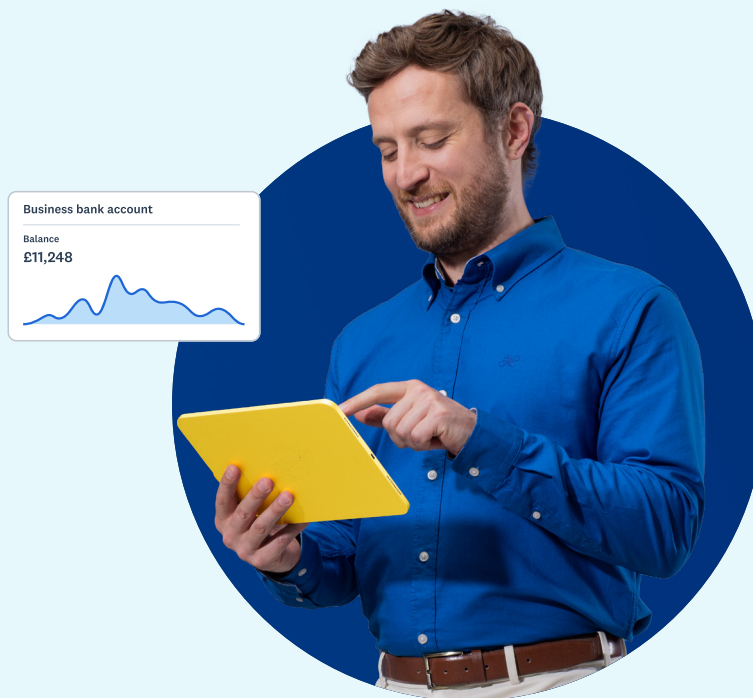
What is MTD for Income Tax?

Making Tax Digital for Income Tax (MTD for IT) is a government initiative that requires people with self-employment or property income above a certain threshold to keep digital records and send quarterly updates to HMRC. If you have more than one business, for example, a self-employment business and a rental property, you are required to keep digital records and send updates for each one **separately**.

The challenge you might face

If you are affected by MTD for IT for multiple businesses, you may not want the hassle or expense of managing separate software subscriptions. Especially in the case if you are an “accidental landlord” and don't consider your single rental property as a full-time business, you may want a simple, cost-effective way to manage everything in one place.





How Xero can help?

Xero offers a flexible solution that lets you manage multiple businesses or taxpayers within a single subscription using tracking categories. This approach can save you time and money, but it's important to set it up correctly.

Before deciding if this setup is right for your business, there are a few factors to consider:

- **Multiple businesses** – You can use one Xero organisation to manage the records for several businesses, such as a self-employment business and a property business.
- **Multiple taxpayers** – It's also possible for multiple taxpayers to send MTD for IT updates from the same Xero organisation. This is particularly useful for jointly owned properties, as one set of records can be used for compliance.

The benefits of a single Xero subscription

- **Simpler compliance:** By consolidating your records and reporting into one Xero organisation, you can simplify the process of managing your MTD for IT obligations.
- **Affordability:** It is a cost-effective way to meet your compliance needs without paying for a separate subscription, especially if one of your businesses doesn't require a full bookkeeping solution.
- **Seamless integration:** If you already manage multiple businesses under the same VAT registration, you can continue to do so, keeping both your MTD for IT and VAT compliance in one place.

To understand which option fits you best, download our [MTD for IT subscription recommendation chart](#)

Important things to consider before you start

While a single subscription offers great benefits, it's important to ensure it's the right fit for your situation.

You can use tracking categories to separate different businesses within a single subscription, but there are a few factors to consider before deciding if this approach is right for your businesses. Here are a few things to consider:

1. Bookkeeping complexity

Using a single subscription can add complexity to your bookkeeping. If your main business already has complex bookkeeping needs, it may be better to use separate subscriptions to avoid confusion.

2. Number of transactions

If your business has lots of transactions, keep in mind that each one needs to be assigned a tracking category so your reports stay accurate. If you deal with a high volume of transactions, it might be easier to set up a separate Xero account for that business instead of managing everything under one subscription.

3. VAT registration

If one of your businesses is VAT registered, do not add other businesses to that subscription unless they share the same VAT registration number.

4. Legal entity status

Limited companies, partnerships, LLPs, or charities should have their own separate subscriptions and do not fall under MTD for IT mandation.

5. User access and permissions

Anyone with access to a single Xero organisation will be able to see all the financial data within Xero. This access does not extend to MTD for IT tax data. Make sure everyone involved is comfortable with this arrangement, especially in cases of jointly owned properties.

6. Reports

Combining multiple businesses can affect standard Xero reports. You may need to customise your reports to filter the data correctly and ensure each business's information is accurate.

7. Tracking categories

If you're already using tracking categories for business reporting, it might not be practical to use them for MTD. In this case, a separate subscription for each business is recommended to stay compliant.

You should also be aware of the current limitations of the tracking category feature:

- Be aware of the limitations of tracking categories: you can have a maximum of four categories, with only two active at one time.
- Assigning transactions to a tracking category is not mandatory, so it is up to you to ensure they are assigned correctly.
- Tracking categories aren't available on the Xero homepage or dashboard.

For more information [contact](#) our Customer Support team.

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