Making Tax Digital for Income Tax

General Features | Personal tax



24 October 2024

ATT and CIOT summarise their recent engagement with HMRC regarding Making Tax Digital, and highlight the next steps and further guidance available to members.

Making Tax Digital for Income Tax Self-Assessment (MTD ITSA) is now less than 18 months away, with taxpayers with income over £50,000 mandated from 6 April 2026. Taxpayers with income between £30,000 and £50,000 with be mandated from 6 April 2027.

MTD ITSA will apply to landlords and self-employed individuals and has three main components – digital record keeping, quarterly updates and year-end reporting. Digital record keeping will require the amount, category and date of business income and expenditure to be recorded in software. These digital records will then form the basis for the quarterly updates – summary totals of income and expenses which have to be submitted to HMRC at the end of each quarter. We continue to raise with HMRC the need for more detailed guidance around digital records and we hope to see further material published by HMRC later this year.

We also await, and continue to discuss with HMRC, further guidance on MTD ITSA exemptions and further guidance on easements for joint property owners.

We have been involved in several meetings with HMRC over the last couple of months. HMRC have been updating us on the beta testing phase and have outlined their success criteria for assessing the effectiveness of MTD ITSA during this testing phase. We have also requested an update on the development and availability of free software and the development of a HMRC year end filing service, which can be used by taxpayers to complete the year end filing requirements (where the taxpayer's third party software is unable to do this).

We appreciate that a key consideration to joining the testing phase, and preparing for MTD ITSA, is the availability of compatible software. We understand from our discussions with HMRC that more software suppliers are expected to come online soon. We would encourage agents to start planning for MTD ITSA, even if their preferred software provider has not yet come online.

HMRC recently held a MTD ITSA event in Glasgow, which provided an opportunity for agents to meet HMRC teams directly to discuss agent readiness. With under 18 months left, six of which cover two busy self-assessment filing periods, a key message at the event was that now is the time to start thinking about what needs to be done to prepare taxpayers and agents' businesses for MTD ITSA.

MTD ITSA has been delayed several times in the past and we are awaiting the upcoming Budget on 30 October. Two meetings in the latter half of October have been cancelled, but there is no suggestion from HMRC that further delays are on the cards. All agents with sole trader and/or landlord clients will need to make some form of preparations ahead of April 2026. Even where it is not possible to join the testing phase, we would encourage agents to start planning for April 2026 – this may include client segmentation, ensuring that clients have separate business bank accounts and engaging in early conversations with clients to determine how much input they would like from their agents.

Emma Rawson published an article, 'Making Tax Digital for Income Tax: How to get your practice ready', in the October 2024 issue of *Tax Adviser* which provides some useful information on preparing for MTD ITSA (see tinyurl.com/3nmus6u9). The ATT also held a free webinar for their members in October, where they were joined by HMRC. A recording of this can be accessed from the ATT's MTD ITSA landing page (

tinyurl.com/ycyy34s4).

We will issue further updates on our MTD ITSA engagement, including guidance on agent readiness, in the coming months.

Lindsay Scott *lscott@ciot.org.uk*
Emma Rawson *erawson@att.org.uk*