New figures show scale of MTD challenge

Briefings



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ATT and LITRG highlight how many taxpayers will be in MTD from next April.

Statistics released by HMRC in August reveal that 864,000 sole traders and landlords are expected to be in the first wave of taxpayers being brought into the Making Tax Digital (MTD) for Income Tax regime from April next year. This will rise to almost 3 million as lower income individuals are included by April 2028. However, there is no indication of when, or if, self-employed individuals and landlords with income before expenses less than £20,000 – a further 4 million – will be brought into the MTD regime.

Jon Stride, chair of ATT's Technical Steering Group, said HMRC will need to identify and resolve any issues from the earlier cohorts before rolling MTD out to those with income less than £20,000. 'The additional costs and admin of quarterly reporting are more disproportionate for this group, given the smaller scale of business and lower levels of taxable profit,' he observed. However, he warned, deferring this for too

long would risk stranding this group on older HMRC platforms and with a less favourable penalty regime.

CIOT’s Low Incomes Tax Reform Group (LITRG) noted that HMRC’s figures suggested that around 216,000 unrepresented landlords and self-employed businesses will be legally required to sign up for MTD next April, and encouraged affected taxpayers to get ready. LITRG is concerned that some unrepresented taxpayers are still not aware of what MTD is, and what they need to do to comply.

Victoria Todd, Head of LITRG, said: ‘We are urging taxpayers with self-employment and/or rental income to prepare and submit their tax returns for the year ended 5 April 2025 as soon as possible, so they are clear as to whether they will be legally required to participate in MTD from April 2026.’