Making Tax Digital for Income Tax and professional indemnity insurance

General Features



29 September 2025

Considerations in relation to professional indemnity insurance should be made, as members prepare for Making Tax Digital quarterly reporting from April 2026.

As members prepare for the introduction of Making Tax Digital (MTD), it is important to be thinking widely about practice requirements. Members should ensure that risks are adequately covered by professional indemnity insurance (PII) and protect themselves with appropriate engagement letters and internal policies and procedures.

Guidance on the Professional Conduct in Relation to Taxation (PCRT) requirements in relation to MTD continues to be kept under review and the latest version of the topical guidance is available on the PCRT pages of the CIOT website (tinyurl.com/3xk7xc9u) and the ATT website (tinyurl.com/msxnbx72).

Insurers are only likely to take an interest in MTD once it has been in operation for a time and insurance claims start to be received. The CIOT and ATT are liaising with the other PCRT author bodies and insurance contacts and will update guidance for members as matters evolve.

In the meantime, members can consider some steps to protect themselves and minimise the risk of claims:

Review engagement terms: Make sure you review your engagement terms and have up to date agreements with clients. MTD schedules are provided jointly by the CIOT, ATT, ACCA, AAT and STEP, and are available on the CIOT website (tinyurl.com/2k5xw88n) and the ATT website (tinyurl.com/c37kdczu). These are being kept under review so check the webpage to ensure you are always using the most up to date versions.

Engagement letter schedules must be tailored to your own practice and the services provided. We are aware that some advisers will be dealing with bookkeeping, filing quarterly returns and doing the final submission, whilst others will provide more limited services.

Ensure the contractual terms make it really clear what the client responsibilities are and what you have agreed to do as their tax adviser. This includes thinking about software responsibilities, how you and the client will access data and what will happen if they move advisers part way through the year.

Technical requirements: Ensure that you keep up to date with the technical requirements of MTD and have appropriate procedures in place. You can find more information about the MTD rules and requirements on the ATT website (tinyurl.com/msc76793).

PCRT and Professional Rules and Practice Guidelines set out the fundamental principles which members must adhere to and include further guidance on how to meet the requirements. It is worth planning ahead now to make sure you have the resources in place to meet client requirements to the standards and deadlines required.

Cyber security issues: Think through cyber security issues and how you would deal with MTD and manage client requirements if your system became inoperable. The CIOT and ATT are working on further cyber security guidance and we

recommend that members watch a recent webinar provided by the Cyber Resilience Centre for London, which provides a number of hints and tips about threats and how to respond (tinyurl.com/23p644xf).

You may also want to consider cyber liability insurance, which can help practices to get back up and running as swiftly as possible following an attack and cover other liabilities. The PII brokers who provide insurance compliant with CIOT and ATT PII requirements are also able to assist with cyber policies. Their contact details are available on the CIOT website (tinyurl.com/fchc6539) and ATT website (tinyurl.com/mv5dcauf).

If members have any queries regarding the points raised in this article, they should email standards@ciot.org.uk or standards@att.org.uk and the Professional Standards team will be happy to assist further.

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