

HMRC – Making Tax Digital for Income Tax Self Assessment (MTD – ITSA)



The regulations Making Tax Digital for Income Tax Self-Assessment is set to be introduced from April 2024 for self-employed business owners and landlords with annual gross income over £10,000. This is part of HMRC's strategy to further introduce digitisation since the first step for MTD for VAT.

MTD for ITSA relating to unincorporated partnerships has been deferred until April 2025.

Those with income below £10,000 can continue to use the existing Self-Assessment system, reporting income on an annual basis by 31st January.

MTD for Income Tax legally requires sole traders and landlords with income over £10,000 to use compatible software for their income tax declarations. Under MTD for ITSA, sole trade businesses and landlords will need to keep and maintain digital records and use MTD compatible software to manage, track and send updates to HMRC. Individuals are likely to fall within the scope of MTD for income tax. The £10,000 threshold can derive from 1 business or be accumulated over multiple entities – rental

income from properties also contributes to the threshold.

Businesses with turnover below the VAT threshold it has been confirmed today (4th July 2022) under the legislation will need to provide just two figures under the scheme's quarterly update requirements.

The payment dates to HMRC remain unchanged of 31st July and January respectively. The change becomes compulsory from April 2024, but you can voluntarily opt in to follow the rules now and sign up for the test system.

How It Will Work for those who fall inside of MTDfITSA

For the tax year ending 2024/25, which runs from 6th April 2024 to 5th April 2025, there will be no requirement to submit a self-assessment tax return. This is replaced by quarterly updates of all income and expenses and submitted using compatible software, the submissions would not take account of any tax reliefs. Any reliefs available would be reported on the End of Period Statement (EOPS) submitted on 31st January each year. One of the benefits of quarterly updates is the ability to see an estimate of how much tax is due in that quarter.

Under the new system there will be 5 submissions to be made each year. Assuming your accounting period corresponds with the tax year, the submission periods will look as follows:

Quarter 1 – due 5th August 2024
Quarter 2 – due 5th November 2024
Quarter 3 – due 5th February 2025
Quarter 4 – due 5th May 2025
End of Year Statement (EOPS) – January 2026

*Subsequent years will continue this pattern, with the exception of the year ended 2023/24 which will be filed for the year by 31st January 2025, as this is the last self-assessment you will be required to submit under the old system.

Link to HMRC <https://www.gov.uk/government/collections/making-tax-digital-for-income-tax-for-businesses-step-by-step>

How We Can Help?

If you are affected, we can ensure your current accounting software system is approved MTD software or advise you on the right accounting software for your business together with providing training tailored to your needs.

Act as your authorised agent, we can get you signed up for sign you up for MTD for ITSA, in preparation for the changes to come.

MTD for Corporation Tax is under consultation, more to follow.