

MILSTED LANGDON

GET SET FOR  
MAKING TAX DIGITAL  
FOR INCOME TAX  
SELF-ASSESSMENT

## What is Making Tax Digital?

Making Tax Digital (MTD) is a government initiative to modernise HMRC's tax system by making the process of administering tax simpler, more efficient, and easier for taxpayers to get their tax right.

Put simply, MTD involves using compatible software to manage your tax affairs with HMRC.

### Who does MTD affect?

Currently MTD affects those businesses who are VAT registered with a taxable turnover above the VAT registration threshold of £85,000.

Since April 2019 they have been maintaining digital records and submitting VAT returns directly to HMRC using functional compatible software.

An initial soft-landing period was provided by HMRC, but this has since ended and so penalties now apply where the MTD rules are not carefully followed.

**From 1 April 2022** MTD will apply to all VAT registered businesses for their VAT obligations, so those classed as voluntary with a taxable turnover below the VAT threshold.

**From 6 April 2026** MTD is being expanded to include income tax for self-employed businesses and landlords with a combined total gross income from the following sources of over £50,000 per annum:

- Income from self-employment
- Income from UK property
- Income from overseas property

From April 2027, MTD for ITSA will be expanded to those with income from these sources in excess of £30,000.

There are however exceptions:

- Trusts, estates, trustees of registered pension schemes and non-resident companies will not be required to join MTD for Income Tax Self-Assessment.
- General partnerships will not be required to join MTD for Income Tax Self-Assessment until a later date, which is yet to be confirmed.
- Partnerships that have corporate partners and Limited Liability Partnerships will be required to join MTD in future, following a government review.

### What are the requirements under MTD for Income Tax Self-Assessment?

There are three main changes under MTD for Income Tax Self-Assessment:

- 1** You will be required to keep digital business records of all your business income and expenses, including income from self-employment or property, at a transaction level.

You will then need to use MTD compatible software to send updates to HMRC on a quarterly basis.

- 2** There will be at least five 'returns' each year instead of one. From April 2026, summary information will have to be reported to HMRC on a quarterly basis for each source of income, within one month of the relevant quarter end for taxpayers with income in excess of £50,000. This will be followed in April 2027 for those who have income of £30,000 or more.

At the end of the tax year there will then be an end-of-period statement to report any accounting adjustments. In addition, you will also have to submit a final declaration to HMRC which includes details of all other income, as well as pay the tax you owe by 31 January of the following tax year.

- 3** The quarterly updates will be for standard quarters to 5 April, July, October and January. There will be an option to elect to report to 31 March, 30 June, 30 September and 31 December.

## When does MTD for Income Tax commence?

For existing sources of trading and property income in excess of £50,000, MTD for Income Tax Self-Assessment will commence on 6 April 2026. The same rules will apply to those with sources of trading and property income of £30,000 or more in April 2027.

## What does this mean in year one of MTD for Income Tax Self-Assessment?

In 2026 and 2027 there will be two years of returns to be completed at the same time due to the overlap:

- Firstly, completing the self-assessment tax return for the year to 5 April 2026 and April 2027, depending on your income.
- Secondly, starting the first quarterly returns for the year to 5 April 2027 and April 2028, depending on your income.

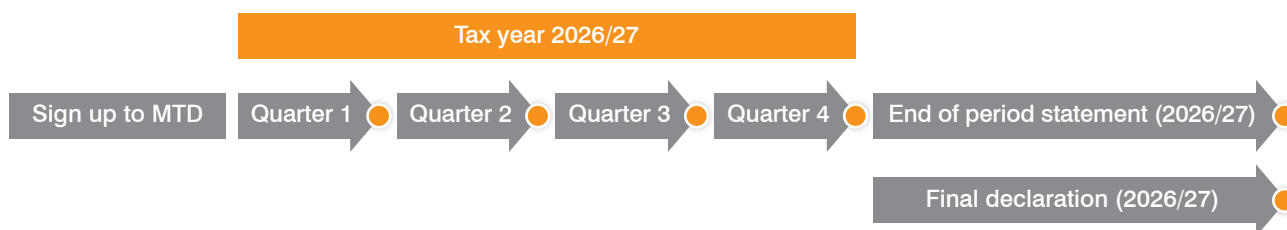
This example shows the position for a self-employed individual with income in excess of £50,000 with a year-end of 5 April.



Tax year 2025/26 – Self-assessment non MTD



Tax year 2026/27 – Self-assessment under MTD for Income Tax



● Submissions to HMRC  
Quarterly submissions are due one month following the quarter end

All income sources are brought together in the final declaration to arrive at a final liability for the tax year.

## What are the quarterly update periods?

Information must be submitted quarterly to HMRC every tax year.

It will be possible to make a 'calendar quarters election', so information can be reported on 31 March, 30 June, 30 September and 31 December each tax year.

	Quarterly period	Deadline	Period under calendar quarters election
Period one	6 April – 5 July	5 August	1 April – 30 June <i>(6 April – 30 June for the first year)</i>
Period two	6 July – 5 October	5 November	1 July – 30 September
Period three	6 October – 5 January	5 February	1 October – 31 December
Period four	6 January – 5 April	5 May	1 January – 31 March

## Tax payment dates remain unchanged

MTD is only changing the record-keeping and the frequency of updates sent to HMRC; tax payment dates remain unchanged for now.

For those with payments on account, these will remain at 31 January and 31 July, with the balancing payment due on 31 January following the end of the tax year-end.

For others, the tax payment date will remain at 31 January following the end of the tax year.

## What are my options?

- **Move to digital record keeping using compatible software**

If you are not already using digital software, you should consider moving to digital record keeping using compatible software now. This will ensure you have all your accounting data on hand, and you will be all set for quarterly reporting from April 2026.

- **Use spreadsheets in combination with bridging software**

You can summarise your accounting transactions on an Excel spreadsheet and file directly to HMRC using bridging software.

Bridging software is a digital tool which is used to connect accounting software, including spreadsheets, to HMRC, meaning the required information can be reported digitally.

- **Continue with manual records**

We are aware that not everyone will want, or be able, to move to digital record keeping. In this situation you can continue to provide us with your accounting records in the usual manual format. We will then convert your transactions into a digital format and submit these to HMRC quarterly on your behalf.

If you would like to discuss the various options available, our MTD Advisory Team are happy to help. They can be contacted by email [mtd@milstedlangdon.co.uk](mailto:mtd@milstedlangdon.co.uk).

## What can I do now to prepare?

### **Use a business bank account for business transactions**

If you are using your private bank account for business transactions, we strongly recommend opening a separate business bank account in preparation for MTD. This will ensure that private transactions are excluded from your business transactions.

### **What if I am already using compatible software?**

If you are already using digital software to record your business income and expenses at a transaction level, then there is nothing further you need to do at this stage to prepare for MTD for Income Tax Self-Assessment. We will be in contact with you in due course as more information is released by HMRC regarding the MTD registration process.

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## How we can help

Please get in touch with your usual contact or contact our MTD Advisory Team at [mtd@milstedlangdon.co.uk](mailto:mtd@milstedlangdon.co.uk) if you would like any further information on the options available to you.

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