



BUSINESS & PERSONAL TAX SUPPORT

Making Tax Digital – the transition to quarterly tax returns

Update 2024/25

Recognising that business owners are under pressure during current economic uncertainties, the dates from which Making Tax Digital (MTD) will be implemented for income tax and corporation tax have been deferred.

MTD is the Government's digital tax programme which requires taxpayers to maintain digital records and to send tax information to HMRC quarterly using approved software.

MTD for VAT

The MTD programme started with MTD for VAT and is the only tax regime that has been transferred to this new reporting platform. If you are a VAT-registered business, you will already be within MTD for VAT. From 1 April 2022, MTD for VAT became compulsory for all VAT-registered businesses.

Under MTD for VAT you must keep your VAT records digitally, using either a compatible software package or other software, such as spreadsheets that connect to HMRC's systems. If you use more than one software package, or spreadsheets and software packages, you will need to link them electronically – you can't simply input data manually from a spreadsheet into a software package.

You must also file digital VAT returns.

MTD for Income Tax Self-Assessment

MTD for Income Tax Self-Assessment (MTD for ITSA) is being introduced in stages. MTD for ITSA replaces the current requirement to file a self-assessment tax return with a requirement to make periodic digital submissions.

Under MTD for ITSA, instead of filing an annual self-assessment tax return, you will need to use MTD-compatible software to keep digital records and file:

- quarterly updates for business income and expenses.

- an end of period statement; and
- a final declaration.

The date by which you will need to comply with MTD for ITSA depends on your circumstances.

From April 2026, self-employed individuals and landlords with an income of more than £50,000 will be required to keep digital records and provide quarterly updates on their income and expenditure to HMRC through MTD-compatible software.

Those with an income of between £30,000 and £50,000 will need to do this from April 2027. Most affected taxpayers will be able to join voluntarily beforehand.

The government has also announced a review of smaller businesses, and particularly those under the £30,000 income threshold mentioned above. The review will consider how MTD for ITSA can be shaped to meet the needs of these smaller businesses and the best way for them to fulfil their Income Tax obligations. It will also inform the approach for any further roll out MTD for ITSA after April 2027.

MTD for ITSA will not be extended to general partnerships in 2025 as previously announced. The government remains committed to introducing MTD for ITSA to partnerships at some future date.

Quarterly updates are required for each business and each property business. This may mean that you need to make multiple submissions. Quarter end dates are set at 5 July, 5 October, 5 January, and 5 April. However, you will be able to elect to use calendar quarters instead and submit information to 30 June, 30 September, 31 December and 31 March.

The quarterly updates will be used to send income and expenses data to HMRC. However, this will need to be adjusted for any accounting adjustments and to claim any reliefs. This is done by means of an end of period statement. This will also be used to confirm that the information that has been submitted is correct.

You will need to submit the end of period statement by 31 January following the end of the tax year.

You will also need to submit a final declaration. This replaces the current self-assessment tax return. The final declaration must also be submitted by 31 January after the end of the tax year, and any tax due must be paid by that date.

Under MTD for ITSA, HMRC will produce on-going tax calculations based on information submitted on the quarterly returns. However, as these do not consider adjustments and reliefs, these should be seen as a guide only – the eventual liability may be very different.

Although the start date has been deferred (to 6 April 2026) this is not that far ahead. It is important that you plan ahead and that you understand what MTD for ITSA will mean for you.

In particular, all businesses and landlords subject to income tax on business profits should be transferring their accounting records to an electronic format approved for MTD purposes. We can help you choose appropriate software and show you how to process your business transactions.

The days of manual record keeping are ending, and we recommend that all taxpayers who are required to submit a self-assessment tax return make a change to digital, cloud-based software sooner rather than later.

Aside from the benefits of having real-time data at your fingertips, you will be ready to link your software to HMRC's servers and comply with all the MTD requirements as and when they are mandated.

We can help you understand your obligations under MTD and what you need to do to prepare.

We can also help you find appropriate MTD software for your business and assist you in keeping your records digitally.

MTD for Corporation Tax

Corporation Tax will also be brought within MTD but a start date has not yet been set.

As with MTD for VAT and MTD for ITSA, under MTD for corporation tax, companies will be required to maintain digital records and to send data digitally to HMRC.

HMRC have consulted on what MTD for corporation tax may look like. Watch this space as MTD in this area of tax compliance may be some years away.

Planning for this change

Without a doubt MTD for all taxes will mean a significant change as we move reporting to HMRC from annual to quarterly returns.

We have used reasonable care and skill in assembling the information in this update. However, the information presented cannot be tailored to personal circumstances or particular situations. There may also be factors relevant to you which fall outside the scope of this publication. Accordingly, the material presented does not constitute personal or business advice. You should not rely solely on this update to make (or refrain from making) any decision or take (or refrain from taking) any action.
