



Making Tax Digital Latest: Expanding Scope and Key Timelines

Although Making Tax Digital (MTD) for self-employed individuals and landlords is still over a year away from its first major rollout, the October 2024 Budget extended its scope even further. This announcement now includes a significant change: those with gross income between £20,000 and £30,000 will also need to comply before the end of this parliament. This development underscores the Government's commitment to digitising the tax system, with the aim of improving accuracy, efficiency, and compliance.

The updated MTD timeline

The latest announcement provides a clearer picture of the phased rollout for self-employed individuals and landlords, ensuring a more gradual transition to the new system. The updated timeline is as follows:

- **From 6 April 2026:** MTD will apply to those with gross income exceeding £50,000 during the 2024/25 tax year.
- **From 6 April 2027:** Individuals with income between £30,000 and £50,000 in the 2025/26 tax year will be mandated to comply.
- **Before the end of this parliament:** The Government plans to mandate MTD for those earning between £20,000 and £30,000, targeting the tax year prior to the year of implementation.

It is crucial to note that these income thresholds are based on gross income—the total revenue before expenses are deducted—not on net profit. This distinction means many individuals and businesses will need to adopt digital record-keeping even if their taxable income is relatively modest after costs are accounted for.

The Government's Commitment to April 2026

One of the most striking aspects of the October 2024 Budget was the absence of further delays or adjustments to the MTD rollout schedule. For years, MTD has been subject to postponements and revisions as HMRC faced challenges in implementation and gained feedback from businesses and tax professionals. However, the Government now appears firmly committed to meeting the April 2026 deadline for the initial group of taxpayers.

This commitment signals a shift in tone and suggests that HMRC is determined to ensure that the long-delayed initiative is fully operational. For self-employed individuals, landlords, and other affected groups, this leaves little room for complacency.

Key Challenges and Outstanding Issues

Despite this commitment, several significant challenges remain unresolved. HMRC's MTD system has been criticised for slow progress in testing, limited software options, and unanswered questions about its practical implementation for specific scenarios.

Some of the key concerns include:

1. Testing and Software Compatibility

While HMRC has made efforts to expand the pool of compatible software providers, uptake has been limited. Voluntary participation in MTD remains small-scale, and many exclusions persist for taxpayers unable to sign up. This raises concerns about whether the system is robust enough for a full-scale rollout by April 2026.

2. Complex Cases and Exclusions

Certain taxpayer groups face unique challenges in adopting MTD. For example:

- Individuals paying the High Income Child Benefit Charge.
- Taxpayers claiming the Marriage Allowance.
- Those with income from a trust or jointly owned property.

3. Jointly Owned Property

One of the thorniest issues is how MTD will apply to landlords with jointly owned property. Under current proposals, each co-owner will be required to maintain separate digital records and submit individual quarterly updates. For many couples or co-owners, this could lead to unnecessary duplication and complexity. HMRC has yet to provide clear guidance on how these situations will be managed, raising concerns about fairness and feasibility.

4. Administrative Burden

Critics argue that for individuals with lower incomes—particularly those earning under £30,000—the cost of compliance may outweigh the benefits. Digital record-keeping and quarterly submissions require both time and investment in software, which may be a disproportionate burden for small-scale landlords and self-employed workers.

Preparing for the Change

With the timeline now firmly established, businesses and individuals must start preparing for compliance well in advance of their respective deadlines.

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Key steps include:

- **Assessing Income Levels:** Determine whether your gross income falls within the thresholds for MTD compliance and when you will be affected.
- **Adopting Digital Tools:** Research and invest in MTD-compatible software to ensure seamless record-keeping and reporting.
- **Seeking Professional Advice:** Accountants and tax advisors can provide crucial guidance on navigating MTD requirements, especially for those with complex financial arrangements.

Final Thoughts

As MTD continues to evolve, the Government's goal remains clear: to create a more efficient and transparent tax system that reduces errors and improves compliance. However, the rollout faces numerous challenges that must be addressed to ensure success.

For now, taxpayers must stay informed, seek professional advice, and begin transitioning to digital record-keeping to avoid last-minute disruptions when the deadlines arrive. Further updates from HMRC and the Government will be critical in clarifying outstanding issues and ensuring a smooth transition for all affected groups.

HMRC's detailed guidance on Making Tax Digital can be found [here](#).

We can help

If you need further information, please call us on **01753 888 211** or email info@nhllp.com. We would be happy to help.