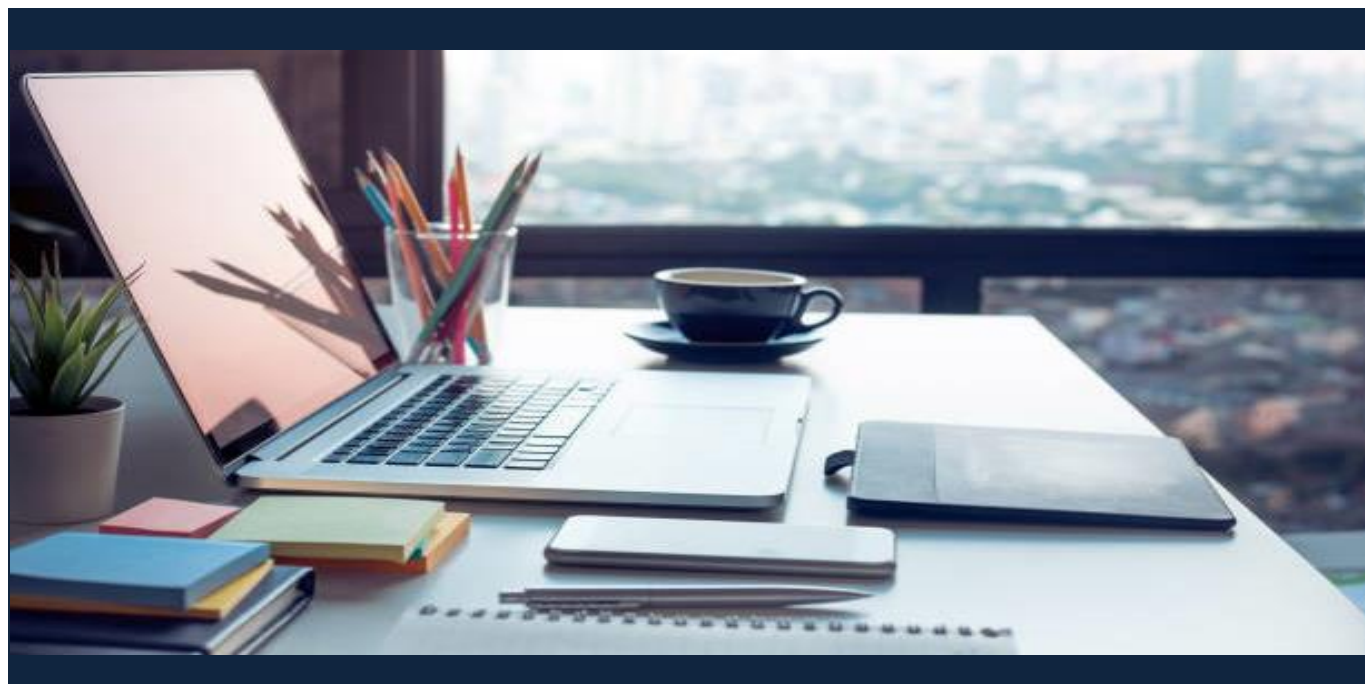


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Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) was due to be introduced from April 2024. However, the start date has been delayed. MTD for ITSA will now be phased-in from April 2026, applying initially to self-employed individuals and landlords with business and/or trading income of at least £50,000.

Key dates

MTD for ITSA will now apply from 6 April 2026 to self-employed individuals and landlords with trading and/or business income of at least £50,000. It will be extended to self-employed individuals and landlords with trading and/or business income of between £30,000 and £50,000 from 6 April 2027.

This note explains the changes to the roll-out programme.

Nature of MTD for ITSA

Under MTD for ITSA, you must send quarterly updates to HMRC within one month of the quarter end. You must also send an end of period statement by 31 January following the end of the tax year and make a final declaration by the same date. The introduction of MTD for ITSA has been put back. It is being phased in and your start date will depend on the level of your business and/or property income.

Previous start date

MTD for ITSA was due to come into effect from 6 April 2024 (the 2024/25 tax year) for self-employed individuals and landlords with business and/or property income of more than £10,000 a year.

Businesses will now have longer to prepare for its introduction, which has been delayed.

New timetable

The start date for MTD for ITSA has been put back two years. It will now come into effect from 6 April 2026 rather than from 6 April 2024. Initially, it will only apply to self-employed individuals and landlords with business and/or property income of at least £50,000. It will be extended to self-employed individuals and landlords with business and/or property income of between £30,000 and £50,000 from 6 April 2027.

You may be able to sign up to join MTD voluntarily before your mandatory start date.

A start date has yet to be set for self-employed individuals and landlords whose business and/or property income is less than £30,000.

The new timetable will reduce the number of self-employed individuals and landlords who are required to comply with MTD for ITSA, and give those who remain in its scope longer to prepare.

Government review

The Government have announced that they are to undertake a review into the needs of smaller businesses. The review will consider how MTD for ITSA can be designed to meet the needs of smaller businesses. The outcome of the review will inform any further roll-out of MTD for ITSA beyond April 2027.

Basis period reform to go ahead

The delay to the MTD start date does not affect the reform of the basis period rules, which is to go ahead. Under the reforms, trading income will be assessed on a tax year basis for 2024/25 and later tax years. This means that the income assessed for the tax year will be that for the period from 6 April to the following 5 April, rather than that for the accounting period ending in the tax year (the current year basis). Where accounts are prepared to a date other than 31 March or 5 April (or a date in between), it will be necessary to apportion the results of more than one accounting period to arrive at the profit or loss for the tax year.

The 2023/24 tax year is a transitional year.

If you would like help, please contact us to speak to a member of our dedicated team, call us on **01753 888 211** or email **info@nhllp.com**