

Questions and Answers

Please note that all answers are from HMRC's Making Tax Digital team

1. Can you please advise the saving from errors made in the MTD for VAT?

MTD for VAT has already been successful at reducing error and increasing tax revenues. It is currently predicted to deliver cumulative additional revenue of £4 billion up to the end of 2028-29. It is currently predicted to deliver cumulative additional revenue of £4 billion up to the end of 2028-29.

[Evaluating additional tax revenue from Making Tax Digital for VAT - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/evaluating-additional-tax-revenue-from-making-tax-digital-for-vat)

2. How do you deal with those who are in their later years who will not change from excel and even manual books. Some propose to give up their business. They are simply not interested. What about an exemption for those who will close their business due to age by say 2027/28.

Spreadsheets can still be used for keeping digital records. Customers should digitally link a spreadsheet to bridging product to make filings.

You will be able to apply for an exemption from [using Making Tax Digital for Income Tax](#) if you consider that you are digitally excluded. You can apply if:

- it's not practical for you to use software to keep digital records or submit them — this may be due to your age, disability, location or another reason
- you are a practising member of a religious society (or order) whose beliefs are incompatible with using electronic communications or keeping electronic records

You'll need to explain how these reasons apply to your own circumstances.

If HMRC has already confirmed you're exempt from Making Tax Digital for VAT for one of these reasons, then you'll not need to apply for an exemption for Making Tax Digital for Income Tax.

We'll consider the information you send us and we'll either tell you:

- that you're exempt (we'll let you know what you need to do next)
- why you're not exempt and how you can appeal

3. Will safeguards be built in to regulate the Cloud software market? We are seeing significant increases in subscription costs well above inflation already putting us and tax payers at the mercy of the software companies. Just this morning one of the main Cloud software providers has notified us of an 81% price increase on their existing low cost product whilst keeping the price on the more expensive product the same. Small businesses are getting a poor deal from this particular software provider.

We set out minimum functional standards for the purposes of software development.

We are working closely with software developers to ensure that there are products available at a range of price points to meet customer needs.

[Find software that works with Making Tax Digital for Income Tax - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

- 4. If an individual is employed and receives income from PAYE and has for example dividend income of £60k, they will carry on doing yearly self-assessments and do not need to do MTD.**

Qualifying income is the total of both trade and property income

[Find out if and when you need to use Making Tax Digital for Income Tax - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
[Work out your qualifying income for Making Tax Digital for Income Tax - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

- 5. Is the threshold per limited company rather than per individual?**

The threshold is per individual rather than per limited company.

We have not delivered Making Tax Digital for Corporation Tax as yet (limited companies).

While our current focus is on MTD for Income Tax, we are continuing to consider ways to ensure that companies are provided with digital experiences and benefits like those provided through MTD for VAT. No decisions have been taken on the timing of any further extension of Making Tax Digital. Similarly, we believe there are benefits to partnerships in adopting digital record keeping and the use of software. We would of course, want to make sure give sufficient notice to give businesses time to prepare.

- 6. This will make a lot of additional work for agents. I am considering not acting for these clients as I do not know how I can complete 4 quarterly returns for VAT, another 4 quarterly returns for MTD within a month of the quarter end.**

We anticipate that MTD for Income Tax will bring a range of benefits.

Quarterly updates are not full tax returns - Quarterly updates are simple summaries of income and expenses only, not full tax returns.

Accountancy and Tax adjustments - Adjustments, if needed, are only required after the 4th update and before the 31 January filing deadline. No accountancy or tax adjustments (e.g., accruals, capital allowances) are needed before this but can be made optionally during the year if the user wishes.

- 7. Does Partnership income have to be reported under MTD?**

Partnership income only needs to be reported at year end. Partnership income is not part of the MTD mandation test.

[Check if you'll need to sign up for Making Tax Digital for Income Tax - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/check-if-youll-need-to-sign-up-for-making-tax-digital-for-income-tax)

8. Just to confirm, all taxpayers provide updates for the same 4 quarters? Obviously slightly different from VAT where client's can choose which quarters suit them and agents can spread workload.

Yes, everyone files to the same periods.

[Use Making Tax Digital for Income Tax - Send quarterly updates - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax-send-quarterly-updates)

9. Software is mentioned as 'MTD compatible software'. What current software is compatible? The main software used is Xero, Quickbooks and Sage. Can we submit the quarterly updates direct from these, like we do for VAT returns?

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10. Is there any scope for clients/agents to submit quarterly updates under MTD in line with a client's VAT quarter? For a lot of our clients the bookkeeping is done quarterly in line with their VAT quarter, or will it be a case of having to align VAT quarters with the MTD quarters?

The MTD quarterly update periods are 6 Apr–5 Jul, 6 Jul–5 Oct, 6 Oct–5 Jan, 6 Jan–5 Apr.

A “calendar quarter election” is optional and changes the periods. With a calendar quarter election, the update periods are 1 Apr–30 Jun, 1 Jul–30 Sep, 1 Oct–31 Dec, 1 Jan–31 Mar.

The election does not change the filing deadlines which are currently the 5th of relevant months but will be changed so they align with VAT deadlines (7th of the month).

Agents may wish to change VAT stagger to match these if they would find it useful.

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11. After all taxpayers with t/o over £30k are included, will all final returns for all taxpayers be due by 7 May after the end of the tax year?

There is no change to deadlines for filing the end of year digital tax return.

This is still 31 Jan after the end of the tax year.

[Use Making Tax Digital for Income Tax - Finalise your Income Tax position - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax-finalise-your-income-tax-position)

12. How accurate are quarterly updates expected to be? Will HMRC question where the sum of the 4 quarters differs significantly from the return?

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Transactional data is NOT passed to HMRC - Much like MTD VAT, HMRC does not collect transactional-level data in MTD quarterly updates—only summary totals of income and expense categories are filed.

[Use Making Tax Digital for Income Tax - Create digital records - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax-create-digital-records)

[Use Making Tax Digital for Income Tax - Adjust your business income - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax-adjust-your-business-income)

13. Will sole traders with a few different trades (typical in rural Scotland) require multiple software subscriptions?

This won't be required but customers can choose to do this.

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14. How much does HMRC estimate MTD will cost taxpayers who now have to pay for MTD software or get their accountants to do it?

Costs will differ from business to business and are influenced by factors including size and complexity of the business, their degree of digital capability and the cost and functionality of their chosen software.

Most customers will experience costs in moving to MTD. For each business within scope this equates to an estimated average transitional cost of £320 and an average annual additional cost of £110.

15. Was any consideration made of the extra professional fees this will mean for our clients? I suspect that accountants will end up bearing the brunt of the extra cost meaning many - especially small CA businesses - pulling out of the tax compliance market

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[Use Making Tax Digital for Income Tax - Adjust your business income - Guidance - GOV.UK
\(www.gov.uk\)](https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax-adjust-your-business-income)

17. Will HMRC make enquiries into the quarterly returns?

No, Quarterly updates are not full tax returns - Quarterly updates are simple summaries of income and expenses only, not tax returns.

HMRC will continue to open enquiries into tax returns.

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\(www.gov.uk\)](https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax-create-digital-records)

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18. Can agents be given a quarter to file instead of 1 month to spread workload and increase accuracy, particularly at year end?

No, the deadline for submission of quarterly updates is currently 1 month from the end of the quarterly updated period and will move to 1 month and 2 days from April 2026.

[Use Making Tax Digital for Income Tax - Send quarterly updates - Guidance - GOV.UK
\(www.gov.uk\)](https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax-send-quarterly-updates)

19. Will quarterly POAs for Income Tax become the norm for tax payers in the short term, with HMRC having this additional regular information?

MTD for Income Tax will not change payment dates. POA will remain the same.

20. What steps are HMRC carrying out to ensure that free software is available for the smallest businesses?

We are working closely with software developers to ensure that there are products available at a range of price points to meet customer needs.

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21. How can businesses who are exempt from MTD for VAT be able to maintain their exemption for HMRC for Income Tax?

If HMRC has already confirmed you're exempt from Making Tax Digital for VAT for one of these reasons, then you'll not need to apply for an exemption for Making Tax Digital for Income Tax.

[Apply for an exemption from Making Tax Digital for Income Tax - GOV.UK \(www.gov.uk\)](#)

22. How can an unincorporated business register for private beta for its own tax compliance?

[Sign up your client for Making Tax Digital for Income Tax - GOV.UK \(www.gov.uk\)](#)