

1. Can you advise if there will be four quarterly updates needed and the tax return? Can you confirm that the end of year statement has been removed?

The four quarterly updates are cumulative summary totals of income and expenses. There is no longer an End of Period statement for each quarter. A Tax return submission is still required at end of year, via MTD compatible software.

2. I presume there is no issue if adjustments to income/expenses (i.e. accrued/prepaid income/expenses, stock adjustments etc) is not included in the quarter 4 update, but included in tax return only? so quarter 4 figures won't agree

Yes that's right, you can carry out adjustments at end of year. Quarterly updates are unadjusted summary totals of income and expenses.

3. If multiple software is allowed, is it necessary to provide a reconciliation between the quarterly returns and the final tax return?

Quarterly updates are unadjusted summary totals of income and expenses so review and reconciliation would still be required e.g. considering disallowable expenses etc before submitting the return.

4. Will the cost categories for quarterly submission have to match those on the tax return - e.g. premises costs, repairs and maintenance etc or can you submit them all under other business / miscellaneous. Do the charts of accounts in the accounting packages need to align to the tax return?

Your digital records will have to have the date, amount and category so your software can generate summary totals of income and expenses that correspond with the usual boxes on tax return supplementary pages for your mandated income.

5. For the HMRC approved ITSA software choices list, would it be possible to show which currently work for Property and which work for Self-employed. I have signed someone up for 24/25 testing and need a solution for their property income submission. Our main provider is Self Employed only for this tax year.

We are looking at what further information we can provide but the recommendation would be to consider your requirements and speak to software providers directly.

6. Is that same agent service account that use for VAT?

Yes. You may have already copied across client authorisations from income tax for self assessment when you set up for VAT. But if not, you can copy these across using your Agent Services Account.

7. Can you join testing mid way through 2025/26 or does it need to be from April 2025?

You can join at any time during the year and we have made it simpler for you to catch up with digital records and quarterly updates if you do.

8. Is it possible to keep data of income and expenditure on an Excel spreadsheet and then use the relevant figures from the spreadsheet as part of the MTD quarterly update?

Yes you can, you will need to use MTD compatible software to submit the quarterly updates so when choosing software ensure it meets the need to transfer the digital records from the spreadsheet into that software. The transfer should be by digital link and we have examples of what acceptable methods of linking are on our 'Use Making Tax Digital pages on gov.uk. You can submit from the spreadsheet using an MTD compatible bridging software product.

9. Please can you confirm what digital records are? does this have to include sales and purchases or can a simple version be just a bank feed? thanks!

Digital records are line by line records of income and expenses that should have the date, amount and category. You may have a bank feed that allows population of that required information into your software or spreadsheet, but the categories will likely need to be added.

10. Will our current clients authorised with 64-8's on the current gateway be transferred across to the ASA account in bulk like when we set up the VAT? Or will we need to do a new digital handshake for each one?

You can copy across client authorisations in bulk to your Agent Services Account. If you have a new client authorisation this would require a digital handshake.

11. What advice would you give to clients who is a small landlord (maybe just 1 or 2 properties) with the turnover just reaching the £50K threshold, but always kept their records on spreadsheet and use that to submit their annual return? Currently asking them to pay for additional costs for a new software (which would also entail changing the way they keep their records) seems like another blow to what is already struggling with additional pressure?

There are options to consider particularly what software meets your needs. MTD compatible software is required to submit the quarterly update but you could consider a bridging product (this doesn't store the digital records) and you can transfer the digital records from spreadsheet using prescribed methods of digital link to the software.

12. Please can you explain whether it's just sole traders, or are partnerships and LLPs in scope, and if so, what the timeline for those look like?

It is just sole traders at the moment. We are currently working on the timeline for partnerships and LLPs.

13. Is it the case that investment income is not relevant for MTD? e.g. if someone has £48,000 self employment income and £3,000 investment income are they mandated for MTD?

Qualifying income is from self employment and property only. Disguised investment management fees or income based carried interest however are forms of income that are treated as the profits of a deemed trade and would form part of qualifying income.

14. Can you confirm, if my client has to join in April 2026 due to income level in 24/25, but income in 25/26 drops below £30k, they will still have to submit quarterly updates until March 29?

Yes that is correct.

15. How in practical terms will jointly owned property work? In a common example, if I have a currently VAT registered sole trader with turnover of over £50k and they have one jointly owned property. Are HMRC expecting a separate submission on separate software or will a share of this go on existing MTD VAT software?

You would submit your share of the income from joint property using compatible software. You would need to speak to your current software provider to see if it meets your requirements to use it for submissions for different people's quarterly updates.

16. Digital records - does that have to be direct feeds or is it enough to have scans or photo of the invoice/bills and uploading it? This is mainly because there are clients where the income (say rental income for 1 buy to let property goes into their own private bank account, which they keep a spreadsheet to record these, along with expenditures along the year) and then submit the annual tax return based on the spreadsheet.

It does not have to be a bank feed or photos. It could be that a bank feed could be used or photos but this would be dependent on the required information being available (date, amount, category) and your software's ability to pull out that information and create the digital records.

17. Is there any appetite to remove those with limited income from property i.e. a married couple receiving £3k each gross (prior to expenses)? For a sole trader with this additional income, I cannot see any benefit to including this additional income via separate quarterly submissions which adds such an unnecessary administrative and fee burden. I am unable to see an actual reason that such people are brought in. 100% agree with MTD for sole traders but cannot understand why there isn't a de minimis for those with limited/split income from property.

The modelling and rationale for digital record keeping is that there is a tax gap arising from error and omission and this is across both income from trade and property so we would not look to exclude anyone that meets the qualifying criteria.

18. Given that the 4 quarterly is just accumulating income and expenses for self employment and property, then with final annual return would go through the usual accounting adjustment, and this is where if there is any CGT etc would also be reported (i.e. no different to how we usually do the tax return?)

Yes that's right, there is no change to your normal end of year processes to claim allowances, reliefs adjustments etc

19. Is there any requirement to reconcile the aggregate of the MTD reports the final annual tax return?

As quarterly updates are unadjusted summaries you would still need to carry out your normal end of year actions as required. The Quarterly Update data, and other information we already hold eg PAYE, CIS and benefits etc will be pre-populated into the MTD tax return.

20. Will the quarterly returns be used by HMRC to as part of the overall compliance environment to help identify businesses that are over the VAT threshold?

As quarterly updates are unadjusted summaries and do not reflect the year end position. But we will be able to see if a business is on track to reach the VAT registration threshold, and we would issue a prompt to remind the taxpayer.

21. In the future if your income rises to above the mandated level, which tax year will you be mandated to join MTD?

Qualifying criteria is based on the previous year's tax return so it would be the following tax year that you would be mandated from.

22. A sole trader has £50k of income, 3 properties in his own name, 2 with his partner, 3 with someone else - how many submissions will be required?

The best way to understand it is that is the same as supplementary pages on a tax return: Self employment, Income from Property, Income from Foreign Property. So quarterly submissions for property would be one quarterly update regardless of how many properties, but UK property would be one update, and foreign property would be another.

23. This process will reduce the need for accountants enormously. Bookkeepers will be required more. I can't see how this will help reduce the tax gap.

The need for accountants will not diminish as a result of MTD. Clients will still need tax returns compiled and submitted. They will also need tax planning and advice.

More Bookkeepers may well be required. Real benefits will accrue from taxpayers having better records.

The tax gap for Self Assessment is over £5bn, of which over 40% is thought to be as a result of simple, avoidable errors and failure to take reasonable care.

The "nudge" software will help identify some of these errors, and enable taxpayers to correct them before submission.

24. Is there any word on when farmers will be able to come into testing?

Many farmers can come into testing now. It all depends on their particular circumstances.

25. For joint property with only 1 requiring to quarterly file - how does that work?

Joint property can have two or more owners. Each are individual taxpayers, and each have to meet their obligations, depending on which regime they are in.

Taxpayers in MTD will need to submit Quarterly Updates for their share of the income, and expenses.

Taxpayers in “classic” Self Assessment would continue to submit their tax returns annually, as new.

26. What is basis of tying taxpayers tied in for 3 years...does not match legislation which requires if you are over in a year ---. will there be scope to drop out if e.g. Property sold so future income will be much lower.

As you know, there is always two tax returns on the go, especially in the early stages of the tax year ie the one just completed and being prepared to be filed, and the current tax year in train.

There is often a third tax year still open and needing resolved. This would be more logical, and convenient for the taxpayer, if these were dealt with in the same regime.

Taxpayers having three consecutive years below the MTD threshold could leave MTD and return to “SA classic” if they wished.

27. Will the letters to clients stress that these quarterly returns are different to the VAT quarters so may have to provide information on a different timescale?

The letters to clients are going out from the end of April.

These will inform clients that, based on their 23/24 tax return, they are in line to come into Making Tax Digital from April 2026. This will be confirmed once we have the 24/25 tax return in January 2026. This would be too late, so we are writing to tax payers, early, to help them prepare and get ready.

These will likely stimulate questions and conversations with their agents. The vast majority of self assessment taxpayers are not VAT registered.

28. What will HMRC use the information from quarterly updates for?

The Quarterly Updates serve several purposes:

Firstly it is encouraging taxpayers to keep digital records, which are known to be more efficient and reliable.

The Quarterly Updates show that the taxpayer is meeting their obligation to submit, and via compatible software.

The Quarterly Updates provide some assurance that the taxpayer has submitted from digital records.

From the Quarterly Updates we are able to provide projected annual tax liability estimates. Whilst for some seasonal businesses these may be inaccurate, for many businesses they will provide a reasonable “ball park” figure which will enable them to be aware of their tax liability and make plans to be able to pay on time.

29. Is the expectation that each quarterly submission is fully adjusted for accruals, prepayments, depreciation, stock values, capital allowances and tax adjustments? Fees will rocket for clients if that is the case.

No, the Quarterly Updates are unadjusted summaries of the categorised income and expenses.

There is no need to make adjustments, stocktaking, reliefs and allowances and include them in the Quarterly Updates.

These can be undertaken after the year end, as now.

30. For MTD to be administered by agents on behalf of their clients cost effectively they would have to be filed using the cash basis. I assume that if MTD is filed on cash basis the year end accounts must also follow cash basis or is it possible to use cash basis for MTD but use the accruals basis for the year end accounts?

It would be sensible to maintain consistency of accounting method throughout the tax year.

31. What happens if client becomes a partner within the 3 years and no longer has sole trade income. Or if rental income stops and has no other income.

When a client enters MTD they remain in for three years, until they have three consecutive years below the threshold.

If an income source ceases you can contact HMRC and look to come out of MTD, provided the total income is below the threshold, and this was the sole source of MTD qualifying income.

32. If I will be retiring in the next few years, can I claim an exemption from MTD on age grounds?

It is not possible to specify an age that would qualify for an exemption. Each application is considered on its merits.

There would be no certainty about planned retirement so we would be unlikely to accept an application based on future plans.

Applications should contain all relevant information to support the reasons for an exemption.