Making Tax Digital For Income Tax Self-Assessment

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Making Tax Digital for Income Tax Self Assessment (ITSA)

We're all familiar with Making Tax Digital (MTD) by now, but just in case you're not sure, is a Government-led initiative aimed at revolutionising the UK tax system by moving it into the digital age. It's aim is to provide more up-to-date tax information, replacing the older system where tax returns could be based on outdated data.

This guide explains the new MTD for Income Tax Self-Assessment (MTD for ITSA) regime, how it affects sole traders and landlords, and what you need to do to stay compliant.

Whether you're self-employed, rent out a property, or run a small artisan business, this guide will help you understand the key requirements, deadlines, and steps to take for a smooth transition.

What is MTD for ITSA?

MTD for ITSA is part of the broader Tax Administration Strategy designed to make tax reporting more efficient and transparent. Under this regime, individuals must report their income digitally throughout the tax year, replacing the traditional annual Self-Assessment Tax Return process.

Key Changes:

- Real-time digital income reporting
- Quarterly Updates instead of one annual return
- A Final Declaration consolidating annual income

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Thresholds & Implementation Timeline

- The New regime for SA starts in April 2026 for taxpayers with a turnover above £50,000
- From April 2027, it will extend to those with turnover above £30,000
- And from April 2028, the threshold drops to £20,000

Start Date	Who must comply
April 2026	Individuals with turnover > £50,000
April 2027	Individuals with turnover > £30,000
April 2028	Individuals with turnover > £20,000

Includes all relevant income sources (e.g. self-employment + rental)

Tip: Check your turnover from previous years to see if you'll be included.

MTD for ITSA applies to individuals who earn income through:

- A trade or vocation (e.g., self-employment)
- Property rental (UK-based)

It does not apply to:

- Employees taxed under PAYE
- People with only investment or trust income
- Partnerships (for now—expected to be included later)
- Trustees, executors, administrators, and certain other exemptions
- Companies don't fall within the income tax regime but Corporation Tax will inevitably come within the scope of MTD some time in the future

Each individual must report their own share of income from jointly owned properties.

What You'll Need to Report

You must keep digital records and submit:

Quarterly Updates

- Income and expenses (summarised or detailed)
- Separate update for each business or property income stream

Final Declaration

A Final Declaration (similar to a Self-Assessment Tax Return) is required after year-end, consolidating all quarterly data and other income.

- Consolidates all income from Quarterly Updates
- Includes other income (e.g., investments)
- Due by 31 January after the end of the tax year

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Submission Deadlines

- Digital reports are submitted quarterly, with deadlines a few weeks after each period ends.
- Taxpayers can choose to report based on tax year quarters or calendar year quarters.
- Errors can be corrected in subsequent cumulative submissions.

Example: Tax Year Quarter-End Reporting

Quarter	Period Covered	Submission Deadline
Q1	6 April – 5 July	7 August
Q2	6 July – 5 October	7 November
Q3	6 October – 5 January	7 February
Q4	6 January – 5 April	7 May

How to Submit Your Reports

Data is submitted using approved software or spreadsheets uploaded via bridging software . The range of approved software is still expanding.

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Software

You must use compatible software to:

- Maintain digital records
- Submit reports to HMRC

Options:

- Dedicated software (recommended)
- Spreadsheets + bridging software

🔗 Find approved software on GOV.UK

Tax Payment Deadlines

At this time, payment deadlines remain unchanged:

- 31 January: First payment on account + previous year's balancing payment
- 31 July: Second payment on account

Exemptions

You may be exempt if:

- It's not *reasonably practicable* to use digital tools (e.g., age, disability)
- You're under an *insolvency procedure*
- You're part of a religious order that prohibits electronic communications

Additional exemptions:

- Companies, whether UK or non-resident
- Trustees
- Executors
- Administrators
- Foster carers
- Non-UK domiciled individuals with foreign businesses
- Those without a National Insurance number

To claim exemption, you must apply to HMRC and await confirmation.

What to do next

Steps to Take Now:

1. Assess your income to see if you'll be required to join MTD for ITSA.
2. Choose your digital accounting solution. There are lots of inexpensive options available as Xero, Dext and others try to capture the market.
3. Begin keeping digital records even if not yet mandatory.
4. Join the voluntary pilot scheme to get ahead.

More Information

For detailed, up-to-date information:
Visit HMRC's Making Tax Digital for Income Tax

Need Help?

At Artisan Accounts, we support small businesses, freelancers, and landlords in adapting to the digital tax revolution. If you need help with software setup, digital record-keeping, or compliance, get in touch today.

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