

The next step in Making Tax Digital Digital delayed

Making Tax Digital (MTD) for VAT was first introduced in April 2019. The next step on the MTD path was intended to include sole traders and buy-to-let property businesses (but not incorporated businesses), starting from April 2023. However, HMRC has confirmed that those affected will now have an extra year to prepare for the digitalisation of Income Tax.

The challenges faced by many UK businesses and their representatives have been recognised as the country emerges from the pandemic, and having listened to stakeholder feedback, the government will now introduce Making Tax Digital (MTD) for Income Tax Self-Assessment (ITSA) a year later than planned, in the tax year beginning in April 2024.

A later start for MTD for ITSA gives those required to join more time to prepare and for HMRC to deliver a robust service, with additional time for customer testing in the pilot.

MTD for ITSA will be mandated for sole traders and landlords with a business income over £10,000 per annum in the tax year beginning in April 2024. General partnerships will not be required to join MTD for ITSA until the tax year beginning in April 2025, while the date other types of partnerships will be required to join will be confirmed in the future.

In March 2021, the government announced a new, fairer system of penalties for the late filing and late payment of tax for ITSA. The new penalty system for those who are mandated for MTD for ITSA will now come into effect in the tax year beginning in April 2024, and in the tax year beginning in April 2025 for all other ITSA taxpayers.

This deferral of the major change in the taxation of affected sole traders and landlords gives another year of breathing space, in order to prepare. However, we recommend that all mandated business owners and landlords who presently record their accounting details manually or on rudimentary spreadsheets, give urgent attention to adopting an approved digital accounts software that will be fit for purpose when the new implementation date arrives, April 2024.



Your accountant can assist you with the choice and implementation of suitable software. As well as providing you with the means to comply with the new MTD ITSA requirements, using an appropriate accounts software package will also provide you with access to real-time data, information that can only help as we steer a path through present challenges.

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