

# Making Tax Digital for Income Tax Self-Assessment

HMRC's progress towards a new modern digital tax system continues with Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA). The new rules are currently set to be introduced from April 2026 and will significantly change the way information is submitted to HMRC.

## What does MTD for ITSA mean?

All self-employed businesses and landlords with total annual business and/or property income above £50,000 will be required to keep their accounting records electronically and file quarterly returns to HMRC with details of their income and expenditure together with any other information that HMRC specifies. A final end of period statement will then be submitted to complete the process.

**Maximise your potential**

If you have any questions or concerns about MTD, please get in touch with your usual contact at James Cowper Kreston or me using these details.



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## Reporting Requirements from April 2026

All individuals that fall within MTD for ITSA will have to provide quarterly updates of their income and expenses as shown in this diagram.

It will be possible to elect to change the period to calendar quarters although the filing deadlines remain the same. These quarterly returns must be filed using MTD compatible software. Although April 2026 may seem a long way away, businesses and landlords will need to decide on which software to choose – ideally before the new rules commence.



### At the end of the year



After the fourth and final quarterly update has been submitted, a '*digital tax return*' will need to be filed. This will have similarities with the current self-assessment return, but will pre-populate with the income and expenses from the quarterly updates already filed.

Those entries will need to be adjusted for accounting and tax purposes (for example, disallowing elements of private use or capital expenditure).

### In summary



These new rules replace the current annual self-assessment return with five new reporting obligations. In addition individuals will need to ensure their records are kept digitally. The £50,000 income threshold is based on **gross** income so will bring a considerable amount of taxpayers within the MTD for ITSA rules.

### What can we do to help?



If you use one of the well-established accounting software providers, the switch to MTD is likely to be relatively straightforward. If you currently maintain manual records or solely use spreadsheets, the introduction of MTD will require changes, which you should make as soon as possible before April 2026. We can help you to ensure that you are compliant with MTD before it goes live, and recommend software which will be most suitable.

If you have any questions or concerns about MTD, please get in touch with your usual contact at James Cowper Kreston.