

Making Tax Digital for Self-Assessment Client Guide

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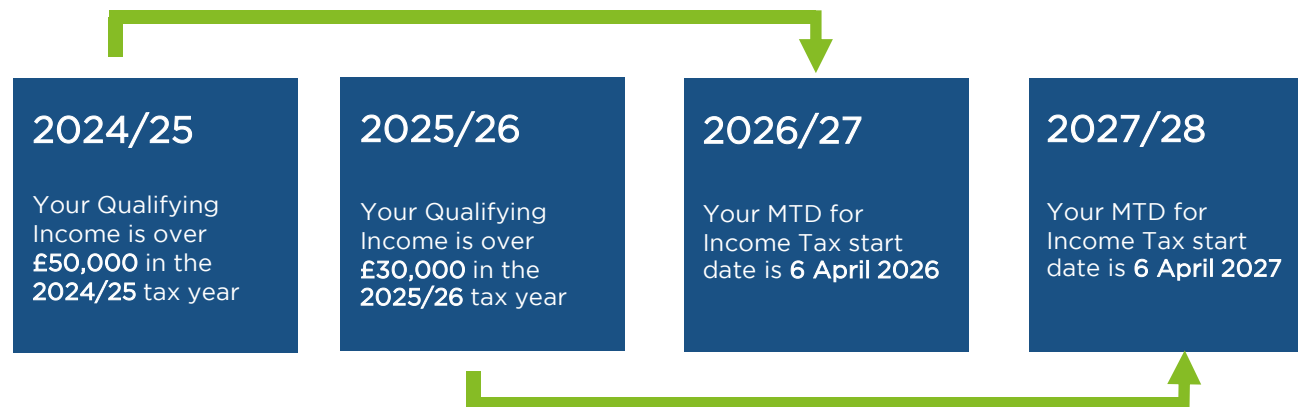
Overview of MTD over the next few years

Making Tax Digital (MTD) is HMRC's long-term initiative to digitise the UK tax system.

Under MTD, affected taxpayers must keep digital records, submit quarterly updates to HMRC, and file a final declaration at year-end via compatible software.

This is a big change from how we have been helping you comply with your UK tax legislation and therefore, we have produced this guide to help answer your questions. This will go over some key areas you should be aware of.

Once you've had a chance to digest this guide, your contact at Galloways will be more than happy to help with getting you set up.



Requirement to Register for MTD

Registration for MTD is mandatory for individuals who meet the income thresholds in the relevant tax year. You must register if:

- You are a sole trader or landlord and,
- You are registered for Self Assessment, and
- Your gross income from self-employment and/or property exceeds the relevant threshold (see below).

Throughout this guide rental / property income includes UK and Overseas rental income.

Relevant Threshold

The rollout for Income Tax Self Assessment (ITSA) is happening in phases:

Income	Tax Year	When to start using MTD
Over £50,000	2024-2025	6 April 2026
Over £30,000	2025-2026	6 April 2027
Over £20,000	2026-2027	To be announced

Rental and Sole trade turnovers are combined to determine an individual's income. The income stated above is Gross Receipts from Rental (UK and Overseas) and Sole Trade only.

Your responsibilities under MTD

If you are required to comply with MTD for Income Tax, HMRC has set out specific obligations that you must follow:

Maintain Digital Records

You must keep accurate, up-to-date digital records of all income and expenses.

These records must be maintained using HMRC-approved software. Manual records or spreadsheets alone are not sufficient unless they are connected via recognised bridging software. (More details on software options are provided below.)

Submit Quarterly Updates & Finalise Annually

Every three months, you must submit a summary of your income and expenses to HMRC through your chosen software.

At the end of the tax year, you'll need to submit a final declaration confirming your total income and allowable expenses. This final submission replaces the traditional Self Assessment tax return, although it serves a similar purpose.

Meet all Deadlines

Quarterly updates must be submitted by the relevant due dates.

The final declaration must be submitted by 31 January following the end of the tax year.

Exemptions apply - see over

Who is Exempt?

Some individuals are automatically exempt or may apply for exemption.

Automatic Exemptions

- Trustee or personal representative.
- Lloyd's underwriter.
- Non-resident company.
- Person without a National Insurance number as of 31 January before the tax year.

Application-Based Exemptions

- Not reasonably practicable to use digital tools due to age, disability, remote location, or religious beliefs.

Applications are reviewed by HMRC and must be supported by evidence. If circumstances change, you must notify HMRC within 3 months.

HMRC will then aim to respond within 28 days, once responded, if required you get 30 days to appeal the decision.

The exemption ideally needs to be in place by 6 April 2026, the application process is now open so if you think an exemption applies to you, please contact your manager at Galloways.



How to Register

You can register for MTD for ITSA via HMRC's online portal.

What You Need:

- Government Gateway ID and password.
- National Insurance number.
- Self Assessment UTR.
- Name of MTD-compatible software.

Galloways is happy to assist in registering you for MTD or applying for an exemption if relevant. Please speak to your client manager to discuss this in more detail.

De-Registering

You will exit the MTD regime only after **three consecutive tax years** with qualifying income below the threshold.

How to De-Register

Even if you sell a property or cease to trade before 2026/27, you will likely still need to file MTD Returns as qualification is based on prior year information.

- If your **2024/25 gross income** from property and/or self-employment was **over £50,000**, you must follow **MTD for ITSA rules from April 2026**, even if you no longer have property income in 2026/27.
- **Selling property doesn't exempt you**, disposing of your property in 2026/27 does **not remove your MTD obligations** for that year.

Your responsibilities stay the same, you must:

- **Submit quarterly updates** showing zero income after the sale. **Notify HMRC** of the cessation of your property business via your online account.
- **File a final declaration** using MTD-compatible software, reporting zero property income but including any other income sources.

Deadlines each Year



Once MTD is active for you, the following deadlines apply:

Quarterly Updates:

Q1: 05 April – 05 July → Due 7 August

Q2: 06 July – 05 October → Due 7 November

Q3: 06 October – 05 January → Due 7 February

Q4: 06 January – 05 April → Due 7 May

By default, HMRC sets quarterly periods as per the above. It is possible to **elect for the update periods to tie in with a month end if this is more convenient and your software allows you to do so. This is sometimes called a ‘calendar quarters’ election.**

As a standard approach, Galloways will be applying the calendar quarter deadlines for all clients we assist under MTD.

Separate submissions are required for each income source. Therefore, if individuals have a sole trade and rental business they will need to complete 2 returns per quarter.

The Final Declaration is due by 31 January following the end of the tax year - this replaces the traditional Self Assessment return.

Payments will remain the same:
Tax payment deadline remains 31 January.

Payments on account: 31 July and 31 January.

Penalties

Missing deadlines may result in penalty points, which can lead to fines. HMRC have introduced a new points-based penalty scheme for individuals caught by MTD.

There are also penalties for late filing, insufficient record keeping or deliberately withholding information. Therefore, it is essential you move record keeping onto software as soon as you can.

Software to use

We have a variety of software that are MTD compliant and compiled a list of recommendations below depending your needs;

- Excel Bridging software – *Speak to your manager for further details.*
- Xero
- Quick Books Online
- Free agent

To assist with software, we would **Highly Recommend** clients set up a separate bank account for each sole trade / Rental business. This will allow for easy integration and record keeping.

Galloways works with multiple software providers and can provide discounts if you take up software as one of our clients. If this is of interest to you, please contact your manager who can walk you through these options and set up payment for this. This service is billed independently to the fee for completing the quarterly submissions.

Levels of Service offered by Galloways

Galloways is offering three different levels of service, each providing differing levels of involvement in your MTD affairs.

Level 1

This is the first level of service. This is where you will complete your own quarterly returns and engage us for assistance throughout the year, for example questions and guidance.

We will then file the final annual submission for you (like the annual tax return) and make any final amendments.

Level 2

The second level is where we will review and file the quarterly submissions, but you will collate and organise the information **on software** for us to review.

We will then file the final annual submission for you (like the annual tax return) and make any final amendments.

Level 3

This is the most involved level of service - we will prepare the information for the quarterly submission regardless of what format it is delivered to us and send this to you for review.

We will then file the final annual submission for you (like the annual tax return) and make any final amendments.

Other points

Who to contact

We understand this is a big change in how you have been complying with reporting for many years so are here to help.

Please contact your normal manager at Galloways who can assist further.

Fees

Fees for completion of the MTD returns will vary depending on your situation, level of service and other engagement with the firm.

Therefore, fees are available on request. Please contact your client manager to discuss this further

If you currently have your Tax Return completed by Galloways under MTD this changes to a 'final submission'. As a lot of the information will be collected via the quarterly returns so your manager at Galloways will re-quote for this final submission in light of this.

Tax Investigation Protection

With the increased compliance and information being provided to HMRC, there is a higher chance of enquiry into your affairs. We don't know the level of enquiry HMRC will start conducting into MTD however, the more information, the higher chance HMRC may raise questions.

We offer Tax Investigation Protection as a service to help cover the professional fees of any enquiry. If this is of interest to you, please let your manager know.