# MTD for ITSA: **FAQs from HMRC**

The following FAQs and answers come directly from **HMRC's agent toolkit for preparing for Making Tax Digital for Income Tax**.



brightsg.com

### Q1: As part of MTD for income Tax, will sole traders and landlords need to complete four tax returns a year?

No, MTD for Income Tax will require sole traders and landlords to send quarterly updates of their self-employment and property income and expenses to HMRC. Where customers have kept up to date digital records using MTD for Income Tax compatible software, the quarterly updates will be simple summaries generated by their software. Submission to HMRC will happen with the click of a button and your software will tell you when and how to send updates.

At the end of the year, customers will still need to submit their annual tax return. This will already include information they have submitted during the year in their quarterly updates. They will be able to finalise the self-employment and property income sources by making any tax or accounting adjustments in their software. Customers will need to check and confirm the information in their return is correct before they submit it.

### Q2: Will sole traders and landlords be required to make quarterly payments?

The government is not changing how payments of tax are collected.

HMRC already offers a range of different ways that customers can pay the tax they owe, including payments on account or by setting up weekly or monthly payments via a Budget Payment Plan. The introduction of Making Tax Digital for Income Tax will not change this and a customer's Income Tax liability will continue to be assessed after the end of the tax year, when they submit their tax return using MTD compatible software. However, estimates of their liability will be available during the tax year, for those customers who find them helpful for financial planning.

### Q3: Will sole traders and landlords need to keep extra records and will this be expensive?

Additional records are not necessarily needed compared to traditional Self Assessment, but these records do now need to be kept digitally, using MTD for Income Tax compatible software. The records provided to HMRC will be summaries, not a breakdown of individual transactions.

HMRC is working with the software community to ensure software is available at a range of price points. This will include free software for those with the simplest circumstances.

### Q4: What is MTD for Income Tax compatible software?

MTD for Income Tax compatible software is provided by an organisation outside of HMRC that works with MTD for Income Tax systems, so that agents and customers can use it to submit quarterly updates to HMRC. You need to use an MTD for Income Tax compatible software product or products that collectively will enable you to:

- create and store digital records of your business income and expenses
- send quarterly updates
- submit your tax return by 31 January after the end of the year
- receive information back from HMRC

### Q5: Can sole traders or landlords with income from self-employment and property below £30,000 use MTD for Income Tax?

Sole traders and landlords with a total income from self-employment and property of more than £20,000 will be required to use MTD for Income Tax from a later start date. This will be confirmed by the government at a future fiscal event.

Sole traders and landlords with qualifying income below £20,000 will be able to sign up voluntarily so they can benefit from the changes.

### Q6: How will MTD for Income Tax reduce error?

Regularly updating records and making full use of software features, including helpful nudges and prompts, will reduce the chance of errors, meaning less time is spent trying to put things right. It will also ensure customers have up to date, accurate information to help with business planning.

MTD for VAT has already helped, with 48% of businesses saying it has made them feel more in control of their finances.

### Q7: Will I get a financial penalty if I miss a quarterly update deadline?

There are no late submission penalties for late quarterly updates during the voluntary testing phase of MTD for Income Tax.

When MTD for Income Tax becomes mandatory for a customer from April 2026, one penalty point will apply for each missed submission deadline. A financial penalty will only be charged once the points threshold of four points is reached.

### Q8: Do agents have to have a client's permission to sign them up to test the service before April 2026?

Yes, agents must get their client's permission before signing them up for testing. Agents need to tell their client:

- what they're signing the client up to
- what it means for the client
- that HMRC's new penalties will apply to the client if they miss deadlines for submitting their tax return or paying their bill

### Q9: What about customers who can't engage digitally?

HMRC will tell customers how to apply for an exemption from MTD for Income Tax at a later date when the application process opens. This could be because:

- of disability, their location or their age
- their religious beliefs are incompatible with using software to keep digital records



## Bright is here to help

At Bright, we're committed to supporting our users through the Making Tax Digital transition. Our development teams are actively working to ensure our products are fully MTD for ITSA compliant, so you can manage your clients' records and submissions with ease.

To receive updates on Making Tax Digital for ITSA — including published resources and product developments — directly in your inbox, please fill in your details below.

**Stay informed**