Making Tax Digital for Income Tax

OMB **Personal tax** **General Features**

19 February 2024

The CIOT, LITRG and ATT have each responded to the draft Income Tax (Digital Requirements) (Amendment) Regulations 2024, which amend the 2021 Regulations following the outcome of the Small Business Review.

Following the announcement in December 2022 that Making Tax Digital for Income Tax Self-Assessment (MTD ITSA) for those with income over £30,000 would be deferred, HMRC undertook a Small Business Review. The outcome, published in November 2023, was that the £30,000 mandation level should be kept under review and that:

- quarterly updates will be cumulative;
- End of Period Statements will not be required;
- ‘easements’ will be in place for joint landlords; and
- foster carers and those without National Insurance numbers will be exempt from the MTD for ITSA requirements.

The 2024 Regulations bring these changes into effect.

However, the amended regulations still raise concerns, which were highlighted in our responses. One is the provision of digital records: what they are to consist of, and the levels of detail required. The Regulations do not make the position clear and the terminology could be potentially confusing or misleading, particularly for unrepresented taxpayers. Likewise, it is not clear where digital links might begin, especially with the involvement of third parties (for example, letting agents). It was suggested that some easements might be introduced (similar to that within VAT Notice 700/22 regarding agents' supplies being incorporated into one invoice).

Also, owners of furnished holiday lets need clarification as to how to report their profits, as they cannot be certain whether their property qualifies as a furnished holiday let until at least the second quarter.

The submission deadlines for quarterly updates are the fifth of the month following the end of the quarter. All responses called for that to be moved to the seventh to coincide with the VAT return deadline. Some uncertainty remains about how adjustments or claims could be made without an End of Period Statement and how errors in the fourth update should be corrected in light of their cumulative nature; utilising the final declaration is the most suitable solution. It was also suggested that for landlords and sole traders without 31 March or 5 April year ends, aligning accounts with the updates will likely prove costly and burdensome.

An exemption from MTD ITSA also applies to those whose turnover falls below the £30,000 threshold for three consecutive years. Remaining subject to MTD ITSA whilst one's turnover is below the threshold should not only be kept to a minimum, but these continuing obligations should be publicised as far as possible. Being subject to MTD ITSA from 2026 by virtue of 2024/25 tax returns, and when an individual without a National Insurance number might become subject to MTD ITSA, are matters that also require greater public awareness.

LITRG also raised concerns about businesses caught by the MTD turnover criterion but which may nevertheless have low profits and not be liable to tax. HMRC should be prepared to offer significant direct support to those affected. Another area of concern is the complexity introduced by the interaction between the rules on 'digital start dates' and the mandation level (income exemption). LITRG suggests that there should be a formal requirement for HMRC to notify the taxpayer that they must comply with MTD with effect from a particular date, to provide some protection against penalties which might accrue without a taxpayer's knowledge in relation to missed MTD obligations.

The full CIOT response can be found here: www.tax.org.uk/ref1259

The full ATT response can be found here: www.att.org.uk/ref448

The full LITRG response can be found here: www.litrg.org.uk/10824

Chris Thorpe *cthorpe@ciot.org.uk*
David Wright *dwright@att.org.uk*
Sharron West *swest@litrg.org.uk*