Lambert Chapman
Chartered Accountants

MAKING TAX DIGITAL

FOR INCOME TAX SELF ASSESSMENT

A GUIDE FOR SELF-EMPLOYED INDIVIDUALS, SOLE TRADERS OR LANDLORDS

MAKING TAX DIGITAL
WHAT'S IT ALL ABOUT?

The government's **Making Tax Digital** initiative is all about moving the tax system into the 21st century. Instead of paperwork, manual form filling and standalone spreadsheets, HMRC now wants businesses to keep their records digitally and submit updates online.

First launched in 2015 and rolled out in stages, MTD is designed to make life simpler, reduce errors, and give you a clearer picture of your finances.

MTD for VAT is already well underway and the next step in the rollout is to modernise the way **self-employed individuals**, **sole trade businesses** and **landlords** report their income. Instead of one big annual self-assessment tax return, you'll send smaller, digital updates to HMRC throughout the year.

INTRODUCING MAKING TAX DIGITAL FOR INCOME TAX SELF-ASSESSMENT, OR MTD FOR ITSA.

November 2025

KEY DATES
AND QUALIFYING INCOME

Qualifying income is defined as the total combined income (not profit) from self-employment and/or property before the deduction of any expenses.

£50,000 (based on your 2024/25 Tax Return)	MTD for ITSA is mandatory from **6 April 2026**
£30,000 (based on your 2025/26 Tax Return)	MTD for ITSA is mandatory from **6 April 2027**
£20,000 (based on your 2026/27 Tax Return)	MTD for ITSA is mandatory from **6 April 2028**

- For **joint income**, it is only your share of the qualifying income that counts towards the thresholds.
- **Partnerships** and **limited companies** are excluded for now, but this will follow at a later date.

CHECK IF YOU NEED TO USE MAKING TAX DIGITAL FOR INCOME TAX:

https://www.gov.uk/guidance/check-if-youre-eligible-for-making-tax-digital-for-income-tax

WHAT'S REQUIRED?

Under the new MTD for ITSA rules, you'll need to:

- Keep digital records of your income and expenses.
- Use HMRC-approved software to send quarterly updates.
- Submit a final declaration at the end of each year.

With the right software, much of this can be automated, linking your bank transactions, invoices, and expenses directly.

ARE THERE ANY EXEMPTIONS?

HMRC recognises that in some cases, MTD for ITSA simply isn't practical, therefore you may be able to claim an exemption if:

- **Age**, **religion** or **disability** makes it difficult to use digital tools
- Poor **internet** access means you can't reliably file online
- You don't have a **National Insurance** Number
- **Insolvency** affects you or your business

APPLY FOR AN EXEMPTION:

HMRC has opened a new service allowing landlords and self-employed taxpayers to **apply for exemption** from the first phase of MTD for ITSA.

Decisions will take up to 28 days, with HMRC urging applicants to prepare for compliance if an exemption is refused.

https://www.gov.uk/guidance/apply-for-an-exemption-from-making-tax-digital-for-income-tax-if-you-are-digitally-excluded

HOW TO PREPARE:

- **Go digital early -** start maintaining your records digitally
- **Choose the right software -** it should be HMRC-approved and suited to your business.
- **Get into the habit -** record income and expenses as you go, not just at year-end.
- **Know the deadlines -** quarterly updates plus the annual final declaration.

REPORTING DATES

You'll need to send **Quarterly Updates** plus a **Final Declaration** each year. Here's how the reporting cycle works:

	PERIOD COVERED	FILING DEADLINE
QUARTERLY UPDATE 1	6 April to 5 July	7 AUGUST
QUARTERLY UPDATE 2	6 April to 5 October	7 NOVEMBER
QUARTERLY UPDATE 3	6 April to 5 January	7 FEBRUARY
QUARTERLY UPDATE 4	6 April to 5 April	7 MAY

THE FINAL DECLARATION	**31 JANUARY** (Following the end of the tax year)

- You can elect to report **calendar quarters** (useful for individuals who run their year-end to 31 March).

Think of it as swapping one big annual tax return for four smaller quarterly reports, plus a final tidy-up at year end where you can make any **final adjustments** and/or declare **additional income.**

CHOOSING THE RIGHT SOFTWARE

There are different types of software available (both paid and free versions) to help you comply with the new MTD for ITSA reporting rules. You can get software that either:

- creates **digital** records
- connects to your existing records, such as those held in spreadsheets (**bridging software**)

intuit quickbooks. xero Sage

FIND COMPATIBILE SOFTWARE:

https://www.gov.uk/guidance/find-software-that-works-with-making-tax-digital-for-income-tax

ALREADY USING SPREADSHEETS?

You don't have to switch to full accounting software if you prefer working in spreadsheets. HMRC allows the use of spreadsheets as long as they're linked to **approved bridging software**. This software acts as a digital "bridge" between your spreadsheet and HMRC's systems, allowing your figures to be submitted online in the correct format.

If you sign up with us, you can keep using **spreadsheets with confidence**. We provide **ready-made templates** designed to feed directly into our **bridging software**, so your quarterly updates and final declarations are accurate and compliant, without changing the way you like to work.

HOW CAN WE HELP?

We're here to take the pressure off and make the MTD for ITSA transition as smooth as possible. We can:

- Recommend and set up **digital** or **bridging software** tailored to your needs. We can also offer some discounted pricing incentives to help you get started.
- **Register** you for MTD for ITSA with HMRC.
- Provide **training** so you're confident using digital records.
- Offer ongoing **support** to keep you compliant and stress-free.

With the right preparation and our support, you'll be ready well before the rules come into play.

OUR MTD TAX TEAM:

Lucy Orrow

CTA TEP
Tax Partner

30 years' experience in Personal Tax and Planning

Alex Buckley

ATT
Senior Tax Accountant

Participated in HMRC's User Research for MTD ITSA

"Every year, more than £9 billion is lost to easily avoidable errors in tax returns - a staggering figure that highlights just how important accuracy is when it comes to digital filing. The good news is that MTD is designed to help reduce those mistakes.

By keeping your records digitally and submitting updates directly to HMRC through compliant software, you can minimise the risk of human error, missed deadlines, or miscalculations.

Our team is here to ensure you're set up correctly and fully compliant - saving you time, stress, and potentially costly errors down the line."

Lucy.

"Making Tax Digital is all about working smarter, not harder. Using the right software means your records stay organised, your returns are quicker to prepare, and you have a clearer view of your finances all year round.

Good record-keeping doesn't just help with compliance - it also enables you to make better business decisions.

The Lambert Chapman team can help you choose and set up the best system for your needs, train your staff, and provide continued support so you can make the most of digital tools with confidence."

Alex.

LAMBERT CHAPMAN

Lambert Chapman LLP brings a wealth of tax and accountancy experience combined with forward-thinking and innovative solutions to meet the evolving needs of our clients.

We want to be known as the best around and we believe we can offer a real alternative to the national practices.

Of course we're great with all the numbers, but we'll also take the time to understand your goals by building long-term relationships with our clients.

We offer a complimentary meeting to determine if we would be a good fit for you or your business. If you would like to take advantage of this, get in touch and we can get something in the diary.

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