

# Making Tax Digital for Income Tax Self Assessment



## Introduction

Making Tax Digital (MTD) for Income Tax Self-Assessment (ITSA) is set to revolutionise the way tax is reported and processed in the UK. With a phased approach beginning in 2026, this initiative aims to make tax administration more efficient, effective, and easier for taxpayers to manage their obligations accurately.

### Who is Affected?

- From April 2026: Self-employed individuals and landlords with annual business or property income over £50,000.
- From April 2027: The threshold extends to those with annual income over £30,000.

### What Does This Mean for You?

Taxpayers within these thresholds will need to:

- Maintain digital records of their income and expenses using HMRC-compatible software.
- Submit income and expenses summaries to HMRC every quarter through this software, effectively replacing the annual self-assessment tax return.

### Benefits of MTD for ITSA

HMRC has cited the following benefits:

- **Real-Time Tracking:** Enables better cash flow management and financial planning with up-to-date information.
- **Less Paperwork:** Digital record-keeping simplifies the process, reducing the burden of manual record maintenance and storage.
- **Increased Transparency:** Provides ongoing visibility into your tax estimates and liabilities.



## Preparing for MTD for ITSA

### Selecting the Right Software:

Choose software that is compatible with MTD and fits your business operations. Popular choices include Xero, QuickBooks, and Sage, which offer comprehensive features that comply with HMRC's requirements.

### Transitioning to Digital Records:

Begin transferring your current financial records into the chosen digital format. This might involve scanning physical receipts and logging them into your software.

### Understanding the Software:

Familiarise yourself with the software's functionality, perhaps through tutorials or training sessions offered by the provider.

### Challenges and Considerations

- **Cost Implications:** Be aware of the costs associated with purchasing and maintaining software.
- **Adaptation Period:** Allow time for you and your staff to adapt to the new system.
- **Technical Support:** Ensure that you have access to technical support during the transition and beyond.
- **Tips for a Smooth Transition**
- **Early Adoption:** Start using the software before the mandate kicks in to get comfortable with the system.
- **Professional Guidance:** Engage with an accountant or a tax advisor who is well-versed in MTD to get tailored advice.
- **Regular Review:** Set aside time each month to review your digital records, ensuring everything is accurate and up-to-date

**Parry & Parry provides comprehensive support to clients impacted by MTD ITSA, including provision and training of compliant software. Contact us at [hello@parryandparry.co.uk](mailto:hello@parryandparry.co.uk) if you'd like to discuss how we can help you.**