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MTD Income Tax: The Countdown Begins

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The landscape of tax reporting is changing, and if you're a sole trader, **landlord**, or self-employed individual earning over £50,000 annually, HMRC wants you to know about it!

From April 2025, HMRC will begin sending letters to affected taxpayers, advising them of their obligations under the new Making Tax Digital (MTD) for Income Tax rules.

What's Changing?

Under the new MTD rules, individuals with qualifying income will need to switch to a quarterly reporting system starting from 6 April 2026. This marks a significant shift from the traditional annual self-assessment tax return.

HMRC has confirmed that letters will go out to those whose 2023-24 tax returns indicate they may need to comply. This will be the first direct communication many taxpayers receive about their new obligations.

Key Dates to Know

- **April 2025** – HMRC begins mailing letters to affected taxpayers.
- **April 2026** – Mandatory quarterly reporting begins for taxpayers earning over £50,000.
- **April 2027** – Threshold lowers to include those earning over £30,000.

What Are Your Options?

To prepare for the transition, HMRC is offering two sign-up options:

1. **Early Sign-Up (2025-26 Tax Year)** – This allows early adopters to test the system, gain access to HMRC's dedicated MTD customer support, and address any challenges before the mandatory start date.
2. **Standard Sign-Up (2026-27 Tax Year)** – Those who prefer to wait can enrol in the year the rules become compulsory.

Accountants and tax advisors are being urged to discuss these options with their clients to determine the best course of action. **Our view?** Embrace the change sooner rather than later!

Who Is Exempt?

While MTD will apply to most taxpayers, certain exemptions exist. These include:

- Those who cannot use digital tools due to age, disability, or location.
- Members of religious groups that prohibit electronic communication.

Individuals already exempt from MTD for VAT for one of the above reasons mentioned (they do not need to reapply for exemptions under MTD Income Tax).

Preparing for the Change

The time to act for our clients is now! Speak to your advisors and educate yourselves on the best solutions; reviewing the complexity of your bookkeeping and software options will be key to ensuring a smooth transition and compliance.

HMRC's early access program provides an opportunity to familiarise yourself with the system ahead of time and troubleshoot potential issues.

Do reach out if you need any support!

Final Thoughts

MTD for Income Tax is a significant shift, but with preparation and the right support, it can lead to more streamlined tax reporting. If you're affected, now is the time to start planning.

Are you ready for Making Tax Digital? Let's discuss how this change might impact you and your business!

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