

Making Tax Digital for Income Tax

Lenny Barry

MTD Engagement Team



HM Revenue
& Customs

**IAB Ambassador
questions
19 Nov 2025**

Q. How detailed will the information submitted need to be , in particular will there need to be a full breakdown into expenditure categories?

A. The *minimum* requirement of digital records is:

- A. Date
- B. Amount
- C. Category

Make sure it provides benefit / value to the client

Q. *Do clients have to pay the tax quarterly as well as submitting quarterly?*

A. There is **no** change to the payment dates under MTD for Income Tax.

There will still be POA on 31 July and balancing payment by 31 January following the end of the tax year.

We have provided some FAQs which I believe were included in IAB newsletter last month, please use these as a resource.

I have just seen a statistic - **31% of firms wouldn't begin MTD implementation until April 2026** - *Wolters Kluwer*

Which means 69% of agent firms would begin MTD implementation ahead of April 2026!

Those who prepare, early, will see the benefits.

Intro and Questions below:

We have been eating, sleeping and breathing ITSA for over 6 months now. Each time we have completed a new phase, we realise from that phase that there was a new phase highlighted during the task.

I have listed my path below if you don't mind, and would you kindly tell me if I am on the completely wrong and unnecessary path please, because we haven't found any other way around each phase identified.

I am sorry, but I cannot see how all of this can be achieved "nearer April". This is why I am devastated to be missing the Coffee Morning next week, and why I asked the question of the other Ambassadors. Even though I have done all listed, I am still concerned that I am missing something out to further assist.

An excellent case study!

Identify the clients over £50k not VAT registered –

Contact those clients via letter, the letter that we have needed to find the time to compile sufficiently so that the client can fully understand the implications of these new rules.

When you don't hear back from them chase them up to see if they have received the letter, then further discuss on the phone either way.

They will then want time to think about it, so will need to chase them again for their decision.

And VAT registered!

Communicate, communicate, communicate!

Own the agenda, own the timescale.

Drive them forward.

After Clients ITSA decision is made –

After Clients ITSA decision is made –

Create their new limited company if they have chosen this route.

Assist them in acquiring business bank accounts as not all sole traders have them.

Calculate which month their yearend falls in, and if that is an already busy month, move them to suit the practice.

Train them using any software they have chosen, if they have chosen to keep their costs down and do the work themselves.

Do it yourself...do it with you...do it for you..?

Why go limited? Limited not in MTD.....but...?

Business bank accounts required for Limited companies. Get sole traders to have a second personal account to use for business?

Accounting periods. VAT staggers.

Software developer support.

Looking at existing clients that are already in the "ITSA Quarter" that do not need to be and moving them –

There may be limited company VAT registered clients in the new "ITSA Quarters" that do not need to be in there, so for the practice to cope with additional ITSA work, speak to the clients and ask them politely to assist your practice and move their existing quarters.

For the clients that agree, as they have done this as a favour, to us, WE will move the VAT quarters on their behalf.

The "NON-ITSA" quarters then need to be looked in to so that we can identify the best quarter to move them to, again, our job.

The clients then need to be informed of their new quarters, and this will "mess-up" what they are used to, but they have done it for my practice. E.g, I have just completed a July-September VAT quarter, and now they have another 1 MONTH due for October alone, to bring them in-line for their new quarter to move forward.

Business disruption of VAT staggers? Benefits? Best solution?

Looking at Sole Traders VAT registered quarters –

If there are VAT registered sole traders that are NOT within the ITSA Quarter, then if you do not rearrange this then you will need to find time to file twice for them, once for VAT and once for ITSA.

This is additional cost to the client, so I have been moving existing VAT registered clients outside of the ITSA quarter, into the ITSA quarter, to save them money and my practice time.

Again, as above, we have made this move on behalf of our clients to assist them.

Aligning VAT staggers *can* make sense, provided it is right for the business, and the disruption is not too difficult.

VAT registered self employed sole traders can likely use VAT digital records for MTD for Income Tax.

We were asked to move the Quarterly Updates to 7th, *specifically* to align with VAT filing.

For the practice alone –

Contact software providers for the best deals.

Work out new pricing structures.

Train the staff to assist the clients.

Ensure all work is evenly distributed between VAT's, ITSA, January work, and non-quarterly year end work with corporation tax etc.

Make software choices as early as possible, and get support from provider.

Pricing structure is key, for clients, base on factual information.

Training for all – staff and clients – is essential.

Get ready!

Segmentation – know what is coming

Communication – letters, emails, calls, conversations at tax returns

Preparation – have a plan, work it through, and prepare to implement

Consider resources, costs, processes, workflows, workloads.

Have capacity.

Have contingency.

Have resilience.

What will you do, what will you not do....?

Strategic alliances.....

Thank You

Making Tax Digital Team



HM Revenue
& Customs