

MTD ITSA timeline – No extra year (Lecture B1279 – 14.27 minutes)

The digital obligations which relate to MTD for income tax encompass:

- The requirement to keep digital records
- The requirement to provide 'periodic' (quarterly) updates and
- The requirement to provide an end of period statement.

The broad basis of these obligations was legislated for in 2017 in Finance Act 2017 s60, which inserted Schedule A1 into TMA 1970. The Regulations are made under Sch A1, setting out more detail on the requirements. They will be supplemented by tertiary legislation setting out the precise content and requirements of the elements of the legislation set out below.

Digital start date

This is an important part of the Regulations as it determines the time when the obligations commence.

- For existing businesses it articulates the commencement of MTD for sole traders and landlords (partnerships are not included in this phase of the implementation).
- For new businesses, it sets the earliest date from which they must comply with the rules, subject to meeting the income threshold.

Businesses trading as at 5 April 2023

The digital start date for these businesses will affect all existing sole traders and landlords with total gross income from both sources of over £10,000. Their digital start date is 6 April 2024. See below for how and when the gross income test is carried out.

New businesses

When new businesses come within the digital requirements depends on when the 'Notice to file information' (previously a 'Notice to make a return') is first issued under s8 TMA 1970. Leaving aside the requirement to notify the income source, and irrespective of whether this is complied with in a timely manner, we already have a distinction as follows (s8(1G) TMA 1970 :

Where the s8 Notice is issued on or before 31 October in the fiscal year following the fiscal year of commencement of trade (Year 1), the current deadline for the (electronic) Self Assessment return is 31 January in that tax year (Year 2).

Where the s8 Notice is issued after 31 October in Year 2 the deadline for the Self Assessment return is three months after the issue of the Notice.

The Regulations take a similar approach to the 'Digital start date' for a new business, as follows:

- Where the s8 Notice has been issued on or before 31 October in Year 2, the digital start date is the following 6 April – that is 6 April in Year 3
- Where the s8 Notice is issued after 31 October in Year 3 there is a delay of a further year, so the digital start date is 6 April in Year 4.

Timing of Quarterly updates

The primary legislation sets out the requirement for quarterly updates which stands alone and separate from the requirement to file information under s8 TMA 1970 – so this requirement is imposed whether or not a business has received a s8 notice.

Period during which quarterly updates required

The start date for quarterly updates is the digital start date, unless the person is exempt under the income exemption rules.

Quarterly updates must then be filed for each business for each quarter shown by the Table below until the quarter including the cessation date for the business. If the person becomes exempt under the income limit rules the last quarterly update will be filed for the final quarter of the tax year before the exemption applied.

Quarter dates

The Regulations (Reg 7) specify the following quarter dates:

Quarterly period	Start date	End date	Filing deadline
1	6 April	5 July	5 August
2	6 July	5 October	5 November
3	6 October	5 January	5 February
4	6 January	5 April	5 May

So every business and every person within MTD will file to the same dates and have the same due dates. This has significant implications for workflow patterns within firms.

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