



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

19 December 2022

Dear Meg,

I am writing with the latest update on the programme called Making Tax Digital (MTD). MTD is a new way to manage tax affairs and to provide updates to HMRC, designed to help taxpayers reduce common mistakes in their tax returns. Such errors cost the Exchequer over £9 billion in lost revenue in 2020-2021.

MTD also aims to provide a better simpler service for taxpayers, in line with the way they are already engaging digitally in their wider business practices.

Today I have announced via Written Statement the next steps for MTD for Income Tax (ITSA), including some changes to the published timelines.

MTD for Income Tax will now be introduced from April 2026, with businesses, self-employed individuals and landlords with income over £50,000 mandated to join first. This will be followed by those with income over £30,000 who will be mandated from April 2027.

The government wants to make tax fairer, simpler, and to help our economy thrive. This pace of introduction recognises that businesses and self-employed individuals are currently facing a challenging economic environment, and that the transition to MTD for self-employed individuals represents a significant change for taxpayers, their agents, and for HMRC. The government has always been clear that it will not mandate MTD until businesses, the software market and HMRC are ready to do so.

It is right to take the time needed to maximise those benefits of MTD for small business by implementing gradually. The technical delivery of MTD will give more time for testing, voluntary implementation and development of a thriving software market, including free to use software.

The government will review the needs of smaller businesses, particularly those under the £30,000 threshold, to look in detail at how the MTD for Income Tax service can be

shaped to meet the needs of smaller businesses and the best way for them to fulfil their Income Tax obligations. Once that review is complete, and in consultation with taxpayers, agents and others, the government will lay out the plans for any further mandation of MTD for Income Tax.

The government anticipates that most taxpayers within the scope of MTD will be able to sign-up voluntarily before mandated to do so. HMRC will keep this under review to ensure all taxpayers using the MTD service receive a high-quality service.

The government also remains committed to introducing MTD for ITSA to partnerships at a later date.

Across the globe, digitalisation of tax is increasingly the norm. Modernisation of UK businesses and the tax system remains of crucial importance to the UK, and I look forward to working with the Committee on this important reform.

Yours sincerely,

A handwritten signature in blue ink, reading 'Victoria Atkins', with a stylized flourish at the end.

VICTORIA ATKINS MP