



Guide to Making Tax Digital (MTD) for Income Tax

with ABC6





HMRC is giving a “soft start” to this new MTD for Income tax. For the first year there are no penalties or fines for late submissions

ABC6 Accounts

ABC6 Versions above 6.775 already have MTD for VAT and for IncomeTax built-in so there is nothing to install.

If you have an older version of ABC6 you need to update the software.

ABC Software

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This booklet: July 2026

Making Tax Digital for Income Tax with ABC

Introduction

Making Tax Digital for Income Tax, often shortened to MTD ITSA or MTD for Income Tax, is HMRC's replacement for the annual Self Assessment tax return for sole traders and landlords. Instead of one Return filed after the end of the tax year, it requires digital record keeping and quarterly online updates to HMRC, followed by a year end final declaration,

Who MTD applies to.

HMRC requires MTD to be used by people with income from self employment and or UK or foreign property letting.

It is being introduced in phases based on gross income from those sources combined, using the figure declared on a person's Self Assessment return for the relevant earlier tax year. From 6 April 2026 it applies to anyone with qualifying income over £50,000, based on their 2024 to 2025 return.

From 6 April 2027 the threshold drops to £30,000, based on the 2025 to 2026 return. From 6 April 2028 it drops to £20,000.

People below the £20,000 threshold stay on ordinary Self Assessment for now, though they can opt in voluntarily. The income test looks only at turnover from self employment and property combined, not other income like employment or dividends.

You must already have filed at least one Self Assessment return before you can be brought into MTD. HMRC identifies who is affected from existing tax returns and writes to confirm the requirement. You will not be signed -up automatically.

There are limited exemptions, for example digital exclusion due to

disability, age, location, or religious objection, and these have to be claimed rather than being automatic.

General partnerships are not yet included, HMRC has said it intends to bring them in at a later date not yet fixed.

MTD requires you to:

- i) keep records digitally (ABC has always done this)
- ii) submit tax returns using software approved for MTD
(ABC is approved by HMRC)

Each self-employment and each property business is treated as a separate business for this purpose, so someone with two trades has two sets of obligations, while if you have several UK rental properties they just count as a single property business.

Four times a year, you must send a quarterly update to HMRC for each business, summarising income and expenses for the year to date. Each new submission replaces the previous one entirely

After the fourth quarterly update for the year, there is a year end process, which let you (or your accountant) review and adjust the figures if needed, and then a final declaration that confirms the total income tax position for the year (this replaces the old Self Assessment return).

Quarterly update deadlines fall about a month after each quarter ends, and the final declaration deadline lines up with the normal 31 January deadline familiar from Self Assessment. A sole trader with an accounting year end of 31st March is treated as if that were 5th April for these purposes,

What to submit

The data submitted each quarter is an income and expenses summary for that business for the year to date, broken down by category.

If the turnover for the year is expected to stay under £90,000, expenses can be reported as one combined figure, which simplifies record keeping for smaller businesses.

There is no difference in the way you enter transactions during the month. The only difference with MTD is the way the tax return gets submitted to HMRC.

How to get started with MTD for Income Tax

1. You need to check whether you are affected, either by waiting for HMRC to write to you or by checking against the current thresholds.
2. You need to sign up at HMRC for MTD for Income Tax. This creates the digital record with HMRC that the quarterly submissions attach to.
3. Authorise ABC to send your MTD submissions. Do this using the Submit MTD Income Tax form in ABC..
You will need your Government Gateway ID and Password.
This authorisation lasts for about a year. When it expires, just renew it in the same way.
4. Setup the ABC Nominal Headings you want to use.
HMRC has fixed Headings for the income and expenses you have to submit. For example: **Advertising and marketing**
In ABC you have had the freedom to define your Nominal Headings, so for example you may have used 4021 - Adv & Mkting.
So you need to use the Setup Tab and set
HMRC Advertising & Marketing = 4021.

At year end

At the year end stage there is scope to make accounting adjustments, claim reliefs and allowances, declare any other income such as employment income, savings, or dividends, and finally confirm and submit the completed position to HMRC.

The ABC MTD submit form

From the Main Menu select ACCOUNTS UTILITIES
> MTD - Income Tax

If ABC is not authorised to send your MTD, you need to click AUTHORISE and follow the procedure on HMRC website to say you want to allow ABC to handle your MTD Returns.

If you have not yet set up the Headings to match ABC Nominal Accounts (Headings) to the HMRC headings, you need to do this.

Then select which Business you are submitting MTD for. (this is easy if you only have one business).

In ABC you can set up different sets of accounts, eg Company A, Company B, etc. But HMRC does not know which is which. So you must go into the ABC company you want to submit, then in the MTD Form select which HMRC Business to submit to.

Now click Get Obligations and ABC will show what HMRC says you need to submit. Select the one you require.

Remember that each submission overwrites previous ones, so you should always send the oldest first.

For the first year of this new MTD system, there are no penalties for late submission, so don't worry if it takes a few weeks to sort out and set up the data for submission.

ABC saves HMRC's reply showing that your MTD has been submitted. (or if there was a problem, you would see an error message)

To check if the MTD system is working

(without sending anything), you can follow the above through to Get Obligations. If you see the Obligations then everything is working OK.

Bugs and errors

It is unlikely but possible minor bugs or problems may be found. It is

therefore important that you update your ABC from our website.

You will receive updates automatically if you have paid for support (and you can purchase just one month support if you don't require annual support).

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