



**Low Incomes  
Tax Reform  
Group.**

A voice for the unrepresented

15 September 2025

HMRC, Making Tax Digital team

By email: [makingtaxdigitalconsultations@hmrc.gov.uk](mailto:makingtaxdigitalconsultations@hmrc.gov.uk)

Dear Sir or Madam

### **LITRG response to consultation on draft Making Tax Digital regulations published on 21 July 2025**

We are writing regarding the new Making Tax Digital draft regulations published for consultation on 21 July 2025 – The Income Tax (Digital Obligations) Regulations 2026.<sup>1</sup> We note the intention is that these regulations supersede the previous regulations from 2021 and 2024.<sup>2</sup>

We assume that the quarterly update notice<sup>3</sup> and recordkeeping notice<sup>4</sup> issued on 17 January 2025 are the directions referred to in regulation 10(1) and regulation 15(2)(C) respectively and so remain valid, subject to any amendments to reference the new regulations when they become law. It would be helpful if HMRC can confirm this is the case.

We would like to raise some specific concerns we have in relation to the draft regulations contained in Part 7 (exemptions).

#### **Part 7 Chapter 1 Exclusion exemption**

The only time limit imposed by this chapter is for a taxpayer to notify HMRC that they are no longer digitally excluded within 30 days of ceasing to be excluded. However, in the 2021 regulations this period was 3 months not 30 days. The 2021 regulations also imposed a deadline of 28 days on the Commissioners for responding to a notice from a taxpayer that they considered themselves to be digitally excluded.

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<sup>1</sup> See [Making Tax Digital for Income Tax and penalty reform - GOV.UK](#)

<sup>2</sup> The Income Tax (Digital Requirements) Regulations 2021 and the Income Tax (Digital Requirements) (Amendment) Regulations 2024.

<sup>3</sup> See [Making Tax Digital for Income Tax: update notice - GOV.UK](#)

<sup>4</sup> See [Digital record-keeping notice for Making Tax Digital for Income Tax - GOV.UK](#)

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We strongly disagree with significant reduction from a 3-month deadline to 30 days and the omission of a deadline for HMRC to deal with a claim to exemption on the grounds of digital exclusion.

The 28-day deadline is an important taxpayer safeguard and should be reinstated in these regulations otherwise taxpayers who apply for exemption on the grounds of digital exclusion do not have any certainty about when their application will be dealt with. This denies them a fixed timeline that would help them plan how they will deal with potentially being in scope of MTD if an exemption is refused. It might lead to taxpayers finding themselves with very little or no time to be in a position to comply with MTD if their application for exclusion is ultimately rejected.

We also believe the 3-month deadline should be reinstated in place of the proposed 30-day deadline mentioned above in the context of a taxpayer notifying HMRC that they have ceased to be digitally excluded. When someone who is digitally excluded ceases to be so digitally excluded the circumstances surrounding the change could be complex, and therefore the longer period of 3 months is preferable. An example, might be someone who becomes very seriously ill and perhaps is in hospital or long term care for a relatively long period of time so that they become digitally excluded due to illness. When they eventually recover and begin to get their life back on track, notifying HMRC that they are no longer digitally excluded may well not be their top priority and therefore they may not meet a notification deadline of within 30 days of say, going back to work part time.

We understood there was also to be a right of appeal against a decision by the Commissioners to reject an application for digital exclusion, but this does not currently appear to be in the regulations. These draft regulations should be amended to specifically incorporate this. Alternatively a more general provision could be included to allow an appeal against any decision made by HMRC under Part 7 of these regulations. Again, a right of appeal is a very important taxpayer safeguard for those who are digitally excluded and would ensure that there is oversight over the decisions that are made by HMRC officials.

Regulation 20(b) should refer to regulation 34 (being the verification of identity regulation) rather than regulation 33. Also, the 2021 regulations provided for exemption for a person who did not have a NI number *on 31st January before the start of ... [the] tax year [in question]*.<sup>5</sup> Assuming this continues to be the policy intention for those without a NI number, shouldn't this be specified in regulation 20(b)(i)?

### **Part 7 Chapter 2 Exemptions by reference to amount of income**

In regulations 22 to 24, there are repeated references to the 'qualifying amount'. But that is different depending on the tax year, as set out in regulation 27. To avoid ambiguity, the references to the 'qualifying amount' in these regulations should either be extended to refer to the 'qualifying amount for that tax year', or be made more specific, for example, regulation 22 could say the

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<sup>5</sup> See Regulation 26B in The Income Tax (Digital Requirements) Regulations 2021: <https://www.legislation.gov.uk/uksi/2021/1076/regulation/26B>

‘qualifying amount for 2024-25’ and regulation 23(b) could refer to the ‘qualifying amount for the tax year Y-2’.

Regulation 25 defines qualifying income. With regard to the scenario covered by regulation 25(2)(a), under the MTD rules it is not clear how someone can be required to provide quarterly updates if they have not already been required to deliver a return. We think the wording of 25(2)(a) should be reviewed in this context.

### **Part 3 Period for which digital obligations apply**

We would also like to raise a final point in connection with regulation 5 (digital start date) in Part 3 (period for which digital obligations apply).

Regulation 5 confirms that the digital start date (DSD) is 1 April for those making a ‘calendar quarters’ election, but that their first digital obligation tax year is that beginning on 6 April after the DSD. For someone who has a 31 March year end before coming into MTD, this means their last traditional self assessment tax return would be based on their self-employment income for the year to 31 March in the tax year prior to their first digital obligation tax year, and their first quarterly update would include the period from their DSD of the following 1 April, so all income and expenses would be accounted for across the two tax years.

However, if someone has historically had a 5 April year end, but on joining MTD they decide to make a calendar quarters election, then this process would potentially mean the income and expenses for the period 1-5 April would be included in both their final traditional self assessment tax return and their first MTD quarterly update. To avoid this, their basis period for their final traditional self assessment tax year would need to end on 31 March rather than 5 April, or their first quarterly update would need to start from 6 April. Consideration should be given to amending the regulations to cover this scenario to provide clarity.

We note that regulation 13(2)(a) covers a somewhat similar scenario. Where the taxpayer has given quarterly updates to HMRC in the tax year Y-1 without having made a calendar quarters election, and then moves to using calendar quarters, according to regulation 13(2)(a) their relevant start date for their quarterly updates under the calendar quarters election is 6 April, rather than 1 April. So, perhaps this regulation could be amended to cover the scenario we set out in the paragraph above too.

We are happy to discuss any points raised in this letter if this would be helpful in due course. Please include LITRG in any list of respondents to this consultation.

Best wishes

Yours sincerely

Sharron West  
LITRG Technical Officer

**About us**

The LITRG is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those who are least able to pay for professional advice. We also produce free information, primarily via our website [www.litrg.org.uk](http://www.litrg.org.uk), to help make a difference to people's understanding of the tax system.