



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

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

23 September 2021

Dear Meg

I am honoured to have been appointed as Financial Secretary to the Treasury and I am looking forward to working closely with you and your Committee. I wanted to write to you to let you know about an announcement the Government is making today on Making Tax Digital (MTD).

As you are aware, the government has set out an ambition to become one of the most digitally advanced tax authorities in the world.

MTD is the first phase of our move towards a modern, digital tax service fit for the 21st century. It supports businesses through their digitalisation journey and provides a digital service that many have come to expect in their everyday lives. MTD helps businesses reduce common errors in their tax affairs and allows for better customer interaction and guidance through digital prompts and nudges.

Over the past year, HMRC have worked closely with partners in the business and tax communities on the proposed design and scope of MTD for Income Tax (ITSA).

I wanted to let you know that today the Government has laid Regulations in Parliament to help those impacted by the changes to prepare, and for their representatives to develop their own support and guidance.

The Government recognises the challenges faced by many UK businesses and their representatives as the country emerges from the pandemic over the last year. In recognition of this and of stakeholder feedback, we will now be introducing MTD for ITSA a year later, in the tax year beginning in April 2024. Other details are also set out in our announcement.

General partnerships will not be required to join MTD for ITSA until the tax year beginning in April 2025. The date at which all other types of partnerships will be required to join will be confirmed later.

In March 2021, the Government announced a new system of penalties for the late filing and late payment of tax for ITSA. This will now be introduced for those who are

mandated for MTD for ITSA in the tax year beginning in April 2024, and for all other ITSA customers in the tax year beginning in April 2025.

Alongside the Regulations, HMRC has also today published a Tax Information and Impact Note (TIIN) setting out the projected benefit and cost impacts of MTD for ITSA, as well as a Policy Paper to help different businesses understand what their transition to MTD could look like in more detail.

A later start for MTD for ITSA provides more time for those required to join to make the necessary preparations and for HMRC to deliver the most robust service possible, affording additional time for testing in the pilot.

Businesses and landlords can upskill digitally and gain a competitive edge from being early MTD for ITSA adopters. They will be able to sign up to the pilot, with an increasing range of software options, and start to experience the benefits that MTD has to offer.

But I recognise not everyone will find this easy. HMRC will maintain the pace of delivery while using this additional time to support businesses, landlords and their advisors with the transition to MTD and to ensure that no one is left behind.

HMRC will continue to work in close partnership with business and accountancy representative bodies and software developers to ensure taxpayers are well supported as they adopt MTD for ITSA.

I look forward to working with your Committee on these reforms and the wider work within my portfolio.

Yours sincerely,

A handwritten signature in black ink that reads "Lucy Frazer". The signature is written in a cursive, flowing style.

RT HON LUCY FRAZER QC MP