



# 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,

The four quarterly updates you send during the year aren't your tax return, and they don't tell HMRC what tax you owe. They're simply a running record of your income and expenses so far this tax year, sent every three months to keep HMRC's picture of your business up to date.

## 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.**

You may be able to claim exemption for example due to age, disability, etc. General partnerships are not included, but will be in the future.

## 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. If you have several UK rental properties they just count as a single property business.

Four times a year, you must send MTD for the year to date. Each new submission replaces the previous one entirely. These are NOT for your tax calculations.

At the end of the year you (or your accountant) reviews and adjusts the figures, and then submit a final declaration showing the total income tax position for the year (this replaces the old Self Assessment return).

## 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 to ABC during the month. The only difference caused by MTD is submitting data regularly 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 at HMRC to receive the quarterly submissions.
3. 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.
4. 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.

## At year end

At the year end you will want 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. (As with the old Self Assessment Return)

# 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 that minor bugs or problems may be found in the very new software. It is therefore important that you keep your ABC updated.

## More Notes

Before your first MTD submission you have to choose whether to send a Full Expenses list, or just a Simplified single expenses total. Based on your previous year turnover, if it was over £90,000 you must choose the Full Expenses. Less than 90,000 you can choose the Full or the Simplified system.

If you start the year on the Simplified (single figure) expenses and find your turnover looks like exceeding 90,00 you must switch to the Full Expenses for the remaining part of the year.

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