

2026 No. ***

INCOME TAX

The Income Tax (Digital Obligations) Regulations 2026

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The Commissioners for His Majesty's Revenue and Customs make the following Regulations in exercise of the powers conferred by paragraphs 7, 9, 11, 13 to 15 and 18 of Schedule A1 to the Taxes Management Act 1970(a).

PART 1

Citation, commencement and interpretation

Citation and commencement

1. These Regulations may be cited as the Income Tax (Digital Obligations) Regulations 2026 and come into force on 1st April 2026.

Interpretation

2. In these Regulations—

- “business” has the same meaning as in Part 2 of Schedule A1;
- “calendar quarters election” has the meaning given in regulation 11(1);
- “digital obligation” means an obligation of a relevant person(b) arising under any provision of Parts 4 to 6 which requires the use of functional compatible software;
- “digital obligation tax year” has the meaning given by regulation 7;
- “digital records” has the meaning given by regulation 15(2);
- “digital start date” has the meaning given by regulation 5;
- “digital termination date” has the meaning given by regulation 6;
- “direction” means a specific or general direction;
- “functional compatible software” has the meaning given by regulation 3(1);
- “previous filing tax year”, in relation to a person and a tax year(c) (“the tax year Y”), means the latest tax year for which the person—
 - (a) was required to make and deliver a return, and
 - (b) had to do so before the start of the tax year Y;
- “qualifying amount” has the meaning given by regulation 27;
- “qualifying income” has the meaning given by regulation 25;
- “quarterly update” has the meaning given by regulation 9(1);
- “quarterly update deadline” has the meaning given by regulations 12 and 13;
- “quarterly update information” has the meaning given by regulation 10(1);
- “quarterly update period” has the meaning given by regulations 12 to 14;
- “return” means a return required pursuant to a notice under section 8(1)(a) of TMA 1970 (personal return)(d);
- “Schedule A1” means Schedule A1 to TMA 1970;
- “tax year Y-1”, in relation to a tax year (“the tax year Y”), means the tax year before the tax year Y, and “tax year Y-2” and “tax year Y-3” are to be construed accordingly;

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- (a) 1970 c. 9. Schedule A1 was inserted by section 60 of the Finance (No. 2) Act 2017 (c. 32) and amended by paragraph 7(2) of Schedule 6 to the Finance Act 2018 (c. 3), paragraphs 30 and 32 of Schedule 1 to the Finance Act 2022 (c. 3) and ***.
- (b) “Relevant person” is defined in paragraph 1(1) of Schedule A1 to the Taxes Management Act 1970 (“TMA 1970”). Paragraph 1 of Schedule A1 was substituted by ***.
- (c) The definition of “tax year” given in section 4(2) of the Income Tax Act 2007 (c. 3) (“ITA 2007”) applies for the purposes of the Income Tax Acts (by section 989 of ITA 2007).
- (d) Section 8(1) was substituted by section 178(1) of the Finance Act 1994 (c. 9) and amended by section 121(1) of the Finance Act 1996 (c. 8) and Part 5(3) of Schedule 27 to the Finance Act 2007 (c. 11).

“tax year Y+1”, in relation to a tax year (“the tax year Y”), means the tax year after the tax year Y;

“TMA 1970” means the Taxes Management Act 1970.

PART 2

Functional compatible software

Meaning of “functional compatible software”

- 3.—(1) “Functional compatible software” means a software program which can be used to—
- (a) give quarterly updates, and corrections to such updates, to HMRC using the API platform,
 - (b) deliver returns, and give notice of amendments to returns, using the API platform,
 - (c) keep and correct digital records, and
 - (d) receive information from HMRC using the API platform in relation to compliance with an obligation to do anything mentioned in sub-paragraphs (a) to (c).

- (2) In paragraph (1)—

“API platform” means the application programming interface enabling software programs to communicate with HMRC and satisfying such conditions as the Commissioners may specify by direction;

“program” includes a set of programs where, once data forming part of digital records has been recorded in one program, the amendment of or access to that data, using any of the programs, does not require any further recording of data by the user.

PART 3

Period for which digital obligations apply

Application of regulations 5, 6 and 7

4. Regulations 5, 6 and 7 apply in relation to a relevant person and a business of that person.

Digital start date

- 5.—(1) Where the person—
- (a) is a relevant person on 6th April 2026, and
 - (b) was carrying on the business immediately before 6th April 2025,

the digital start date is 6th April 2026.

(2) Where the person starts to carry on the business on or after 6th April 2025, the digital start date is 6th April in the tax year after the tax year in which the person is first required to comply with an obligation to deliver a return containing information about that business.

(3) However, where a person to whom paragraph (1) or (2) applies makes a calendar quarters election in relation to the tax year containing the 6th April that is determined by that paragraph, the digital start date is instead 1st April in the previous tax year.

Digital termination date

- 6.—(1) Where the person ceases to carry on the business—
- (a) the digital termination date is the date of that cessation, and

- (b) the person must give notice to HMRC of the digital termination date no later than the quarterly update deadline for the quarterly update period in which that date falls.
- (2) However, paragraph (1)(b) does not apply—
 - (a) where the digital termination date is earlier than the digital start date, or
 - (b) to a person to whom, by virtue of any provision of Part 7, or of regulation 33, no digital obligation applies on the digital termination date.

Digital obligation tax years

- 7.—(1) The digital obligation tax years are the tax years—
- (a) beginning with the tax year in which the digital start date for the business falls, and
 - (b) ending with the tax year in which the digital termination date for the business falls.
- (2) However—
- (a) where the digital termination date is earlier than the digital start date, there are no digital obligation tax years;
 - (b) where a person's digital start date is 1st April in a tax year, the digital obligation tax years begin with the following tax year.

PART 4

Returns and quarterly updates

Obligation to use functional compatible software to deliver return

- 8.—(1) A relevant person who is required to deliver a return for a digital obligation tax year must use functional compatible software to do so.
- (2) However, the Commissioners may by direction—
- (a) disapply an obligation arising under paragraph (1);
 - (b) require a relevant person to whom paragraph (1) applies to deliver the return by a means of electronic communication other than functional compatible software.

Obligation to give HMRC quarterly updates

- 9.—(1) A relevant person must—
- (a) give HMRC a submission of information (a “quarterly update”), in relation to each business of the person, for each quarterly update period associated with a digital obligation tax year,
 - (b) use functional compatible software to do so, and
 - (c) give HMRC each quarterly update no later than the quarterly update deadline for the period for which the update is given.
- (2) The person may only give HMRC a quarterly update before the end of the quarterly update period for which the update is given if—
- (a) the update is given to HMRC not more than 10 days before the end of the quarterly update period, and
 - (b) the person reasonably believes that the update contains the quarterly update information required for the whole of the quarterly update period.
- (3) The person is not required to give HMRC a quarterly update in relation to a business for any quarterly update period after the period in which the digital termination date for that business falls.

Content of quarterly update

10.—(1) A quarterly update must contain such information (“quarterly update information”) relating to a business of a relevant person as the Commissioners may specify by direction.

(2) Quarterly update information may consist of any information which the Commissioners have power to specify under paragraph 7 of Schedule A1.

(3) The Commissioners may specify different quarterly update information in relation to different—

- (a) descriptions of relevant person or business;
- (b) quarterly update periods.

Calendar quarters election

11.—(1) A relevant person may make an election under this paragraph (“a calendar quarters election”) in relation to a digital obligation tax year, by giving notice to HMRC before the person has given a quarterly update to HMRC in relation to that tax year.

(2) Subject to paragraph (4), a calendar quarters election has effect in relation to that digital obligation tax year and each subsequent digital obligation tax year.

(3) A relevant person may withdraw a calendar quarters election by giving a further notice to HMRC at any time in a digital obligation tax year.

(4) Where a person gives HMRC a notice withdrawing a calendar quarters election—

- (a) if the notice is given to HMRC before the person has given HMRC a quarterly update in relation to the digital obligation tax year in which the notice is given, the final tax year to which the calendar quarters election has effect is the previous tax year;
- (b) otherwise, the final tax year to which the calendar quarters election has effect is the tax year in which the notice is given.

Quarterly update periods and associated deadlines where no calendar quarters election has effect

12.—(1) Subject to regulation 14, where no calendar quarters election has effect in relation to a digital obligation tax year (“the tax year Y”), the quarterly update periods associated with the tax year Y, and the quarterly update deadlines for those periods, are those set out in Table 1.

Table 1

<i>Name of quarterly update period</i>	<i>Definition of quarterly update period</i>	<i>Quarterly update deadline for the quarterly update period</i>
Quarterly update period 1	The period beginning with the relevant start date and ending with 5th July in the tax year Y	7th August in the tax year Y
Quarterly update period 2	The period beginning with the relevant start date and ending with 5th October in the tax year Y	7th November in the tax year Y
Quarterly update period 3	The period beginning with the relevant start date and ending with 5th January in the tax year Y	7th February in the tax year Y
Quarterly update period 4	The period beginning with the relevant start date and ending with the last day of the tax year Y (5th April)	7th May in the tax year Y+1

(2) In Table 1, “the relevant start date” means—

- (a) in the case where a calendar quarters update had effect in relation to the tax year Y-1, 1st April in the tax year Y-1;
- (b) in any other case, the first day of the tax year Y (6th April).

Quarterly update periods and associated deadlines where calendar quarters election has effect

13.—(1) Subject to regulation 14, where a calendar quarters election has effect in relation to a digital obligation tax year (“the tax year Y”), the quarterly update periods associated with the tax year Y, and the quarterly update deadlines for those periods, are those set out in Table 2.

Table 2

<i>Name of quarterly update period</i>	<i>Definition of quarterly update period</i>	<i>Quarterly update deadline for the quarterly update period</i>
Quarterly update period 1	The period beginning with the relevant start date and ending with 30th June in the tax year Y	7th August in the tax year Y
Quarterly update period 2	The period beginning with the relevant start date and ending with 30th September in the tax year Y	7th November in the tax year Y
Quarterly update period 3	The period beginning with the relevant start date and ending with 31st December in the tax year Y	7th February in the tax year Y
Quarterly update period 4	The period beginning with the relevant start date and ending with 31st March in the tax year Y	7th May in the tax year Y+1

(2) In Table 2, “the relevant start date” means—

- (a) in the case where—
 - (i) the person making the election was required to give quarterly updates to HMRC in relation to the tax year Y-1, and
 - (ii) no calendar quarters election had effect in relation to the tax year Y-1, the first day of the tax year Y (6th April);
- (b) in any other case, 1st April in the tax year Y-1.

Final quarterly update period to end with digital termination date

14. The quarterly update period containing the digital termination date for a business of a relevant person ends with that digital termination date.

PART 5

Digital record-keeping

Obligation to keep digital records

15.—(1) A relevant person must—

- (a) keep the records specified by paragraph (2) (“digital records”) in relation to a digital obligation tax year,
- (b) use functional compatible software to do so, and

- (c) ensure that each record is recorded in accordance with paragraph (3).
- (2) The digital records, in relation to a digital obligation tax year, are—
 - (a) records of the financial information required to be included—
 - (i) in each quarterly update for that tax year;
 - (ii) in a return for that tax year;
 - (b) details of the items comprised in the financial information described in sub-paragraph (a), including the amounts of those items and the dates on which they were received or incurred;
 - (c) such other records as the Commissioners consider relevant to ascertaining financial information described in sub-paragraph (a) as the Commissioners may specify by direction.
- (3) A digital record in relation to a digital obligation tax year must be recorded—
 - (a) if the record relates to financial information required to be included in a quarterly update, no later than that update is given, or required to be given, to HMRC, whichever is earlier;
 - (b) otherwise, no later than a return for that tax year is delivered, or required to be delivered, whichever is earlier.
- (4) In this regulation, “financial information” has the same meaning as in paragraph 7(2) of Schedule A1.

PART 6

Amendment and correction

Amendment of return using functional compatible software

16. A relevant person who uses functional compatible software to deliver a return for a digital obligation tax year may use functional compatible software to give notice of an amendment of that return pursuant to section 9ZA of TMA 1970^(a) (amendment of personal or trustee return by taxpayer).

Correction of digital records and quarterly updates

- 17.—**(1) A relevant person who—
- (a) keeps a digital record, and
 - (b) discovers that there is an error or omission in that record,

must use functional compatible software to correct that record and must do so as soon as possible.

- (2) A relevant person who—
- (a) gives a quarterly update, and
 - (b) discovers that there is an error or omission in that update,

must use functional compatible software to give HMRC the correct or complete information which should have been included in that update.

(3) If the quarterly update mentioned in paragraph (2) is for the quarterly update period in which the digital termination date falls, then the person must give the information mentioned in that paragraph to HMRC at the same time as the person next delivers a return.

^(a) Section 9ZA was inserted by paragraph 2(2) of Schedule 29 to the Finance Act 2001 (c. 9) and amended by section 91(2) of the Finance Act 2007 (c. 11).

(4) Otherwise, the person must give HMRC that information at the same time as the next quarterly update which the person is required to give HMRC.

PART 7

Exemptions

CHAPTER 1

Exclusion exemption

Exemption where an exclusion notice is in place

18.—(1) Where an exclusion notice is in place in relation to a relevant person on a day, a digital obligation does not apply to the person if it—

- (a) would require the person to use functional compatible software on that day, or
- (b) relates to the digital obligation tax year in which that day falls.

(2) Where paragraph (1) begins to apply to a digital obligation after it has arisen, the obligation is to be taken never to have arisen.

(3) In paragraph (1)—

“exclusion notice” has the meaning given in regulation 19(4);

“in place”, in relation to an exclusion notice, has the meaning given in regulation 19(7).

Exclusion notice given by the Commissioners

19.—(1) If a relevant person gives notice to the Commissioners of a belief that the person is or has been excluded, the Commissioners must—

- (a) decide whether they are satisfied that the person is or has been excluded, and
- (b) if they are not so satisfied, give the person notice of that fact.

(2) A notice given by a relevant person under paragraph (1) must specify—

- (a) the day on which, in the person’s opinion, the person became excluded;
- (b) the day (if any) on which, in the person’s opinion, the person ceased to be excluded.

(3) A relevant person who has given a notice under paragraph (1) without specifying a date under paragraph (2)(b) and who subsequently believes that the person has ceased to be excluded must—

- (a) give the Commissioners a further notice specifying the day on which, in the person’s opinion, the person ceased to be excluded, and
- (b) do so within 30 days of first having reason to believe that the person has ceased to be excluded.

(4) Whether or not the person has given notice under paragraph (1), if the Commissioners are satisfied that a relevant person is or has been excluded, they must give the person a notice (“an exclusion notice”).

(5) An exclusion notice must specify—

- (a) the day on which, in the Commissioners’ opinion, the relevant person became excluded;
- (b) the day (if any) on which, in the Commissioners’ opinion, the relevant person ceased to be excluded.

(6) If, after the Commissioners have given a relevant person an exclusion notice without specifying a day under paragraph (3)(b), and whether or not there has been a notice under paragraph (3), they consider that the person has ceased to be excluded, they must give the person a further notice specifying the day on which, in their opinion, the person ceased to be excluded.

(7) In regulation 18(1), an exclusion notice is “in place” in relation to a relevant person on each of the days in the period—

- (a) beginning with the day mentioned in paragraph (5)(a), and
- (b) ending with the day (if any) mentioned in paragraph (5)(b) or (6).

(8) In this regulation, “excluded” has the meaning given in regulation 20.

Meaning of “excluded”

20. In regulation 19, a person is “excluded” if the person is—

- (a) digitally excluded^(a), or
- (b) unable to satisfy any condition relating to the verification of identity arising under regulation 33, by reason of—
 - (i) not having a national insurance number, or
 - (ii) any circumstance beyond the person’s control.

CHAPTER 2

Exemptions by reference to amount of income

Exemption where this Chapter applies

21. A digital obligation does not apply to a relevant person in relation to a digital obligation tax year to which this Chapter applies.

Application of this Chapter to the tax year 2026-27

22. This Chapter applies to the digital obligation tax year 2026-27, if the amount of the person’s qualifying income for the tax year 2024-25 is not more than the qualifying amount.

Application of this Chapter to any tax year after 2026-27 where no digital obligation applied in previous tax year

23. This Chapter applies to a digital obligation tax year (“the tax year Y”) after the tax year 2026-27 if—

- (a) no digital obligation applied to the person in relation to the tax year Y-1, and
- (b) the amount of the person’s qualifying income for the tax year Y-2 is not more than the qualifying amount.

Application of this Chapter to any tax year after 2028-29 where a digital obligation applied in previous three tax years

24. This Chapter also applies to a digital obligation tax year (“the tax year Y”) after the tax year 2028-29 if—

- (a) a digital obligation applied to the person in relation to the tax year Y-3, the tax year Y-2 and the tax year Y-1, and
- (b) the amount of the person’s qualifying income for each of those three tax years was not more than the qualifying amount.

(a) “Digitally excluded” is defined in paragraph 14(2) of Schedule A1 to TMA 1970.

Qualifying income

25.—(1) A relevant person's qualifying income for a tax year is the sum of the amounts of income, from each business carried on by the person in that tax year, required to be included in the person's return for that tax year.

(2) However, where a tax year has ended and a relevant person has not, or not yet, been required to make and deliver a return for that tax year, the person's qualifying income for that tax year is instead—

- (a) in a case where the person was required to give HMRC quarterly updates for the tax year, the sum of the amounts of income, from each business carried on by the person in the tax year, required to be included in the latest such update, or
- (b) in any other case, zero.

Determination of qualifying income

26.—(1) In determining the amount of a person's qualifying income for a tax year—

- (a) the amount of income from a business is—
 - (i) the amount included in the return before any deductions, or
 - (ii) if the person is not required to include in the return the amount of income from the business before any deductions, the amount included in the return after deductions;
- (b) no amount of the following for the tax year is to be included—
 - (i) payments or transfers connected with a business within the meaning of section 13 of ITTOIA 2005 (visiting performers)(a);
 - (ii) qualifying care receipts within the meaning of Chapter 2 of Part 7 of ITTOIA 2005 (qualifying care relief)(b);
- (c) no account is to be taken of an amendment of the person's return for that tax year which—
 - (i) would increase the person's qualifying income for the year, and
 - (ii) is made after the start of the tax year in relation to which the exemption under this Chapter would apply;
- (d) if a person's qualifying income for a tax year is in respect of a period of other than 12 months, the qualifying income is to be adjusted proportionately on the basis of the length of the period or, if it appears that that method would work unreasonably or unjustly, on a just and reasonable basis.

(2) In determining an amount under regulation 25(2)(a)—

- (a) an amount of income is to be included before any deductions;
- (b) no amount mentioned in paragraph (1)(b) is to be included.

Qualifying amount

27. “The qualifying amount”, in relation to income for a tax year, means—

- (a) £50,000 for the tax year 2024-25;
- (b) £30,000 for the tax year 2025-26;
- (c) £20,000 for the tax year 2026-27 and any subsequent tax year.

(a) 2005 c. 5. The definition of “ITTOIA 2005” in section 118(1) of TMA 1970 was inserted by paragraph 380 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”).

(b) The meaning of “qualifying care receipts” is given by section 805 of ITTOIA 2005 which was amended by paragraph 5 of Schedule 1 to the Finance (No. 3) Act 2010 (c. 33), paragraph 42 of Schedule 4 to the Finance Act 2013 (c. 29), paragraph 11 of Schedule 2 to the Finance (No. 2) Act 2017, paragraph 23 of Schedule 1 to the Finance Act 2022 (c. 3) and paragraph 33 of Schedule 10 to the Finance Act 2024 (c. 3).

Specification of new qualifying amount

28. The Commissioners may by notice specify a new qualifying amount in relation to any tax year after the tax year 2026-27.

CHAPTER 3

Exemptions by reference to description of business

Exemptions for relevant activities of specified description

29.—(1) A digital obligation does not apply to a relevant person in relation to a business of a description specified in paragraph (2).

(2) The descriptions are—

- (a) a trade, profession or vocation which a performer is treated, under section 13(2) of ITTOIA 2005, as carrying on in the United Kingdom;
- (b) the provision of qualifying care within the meaning of Chapter 2 of Part 7 of ITTOIA 2005(a).

CHAPTER 4

Exemptions by reference to description of person or entitlement to reduction or allowance

Exemptions for persons of specified description

30.—(1) A digital obligation does not apply to a relevant person in relation to a digital obligation tax year (“the tax year Y”) where, at any point in—

- (a) the previous filing tax year in relation to the tax year Y, or
- (b) any tax year after that, up to and including the tax year Y,

the person is or has been of a description specified in paragraph (2).

(2) The descriptions are—

- (a) a trustee, including an executor or an administrator liable to tax under section 74(1) of TMA 1970 (personal representatives);
- (b) a donor of—
 - (i) a lasting power of attorney within the meaning of section 9(1) of the Mental Capacity Act 2005(b), or
 - (ii) an enduring power of attorney within paragraph 2 of Schedule 4 to that Act (characteristics of an enduring power of attorney)(c),other than a power which has been revoked;
- (c) a person employed as a minister of a religious denomination;
- (d) an underwriting member of Lloyd’s.

Effect of specified description of person beginning to apply after the start of a tax year

31.—(1) This regulation applies in relation to a relevant person and a digital obligation tax year (“the tax year Y”) where, after the start of the tax year Y, the person begins to be of a description specified in regulation 30(2).

(2) If a relevant person gives notice to the Commissioners of a belief that this regulation applies to the person in relation to the tax year Y, the Commissioners must—

-
- (a) The meaning of providing qualifying care is given by section 805A of ITTOIA 2005 which was inserted by paragraph 6 of Schedule 1 to the Finance (No. 3) Act 2010.
 - (b) 2005 c. 9.
 - (c) Paragraph 2 of Schedule 4 was amended by S.I. 2012/2404.

- (a) decide whether they are satisfied that this regulation does so apply, and
- (b) if they are not so satisfied, give the person notice of that fact.

(3) Whether or not the person has given a notice under paragraph (2), if the Commissioners are satisfied that this regulation applies to a relevant person in relation to the tax year Y, they must give the person notice of that satisfaction.

(4) Where a notice is given under paragraph (3), any digital obligation of the relevant person which has already arisen in relation to the tax year Y is to be taken never to have arisen.

Exemption for persons entitled to certain reductions or allowances

32.—(1) A digital obligation does not apply to a relevant person in relation to a digital obligation tax year (“the tax year Y”) where the person is or has been entitled to a relevant reduction or allowance for a relevant year.

(2) The relevant reductions and allowances are—

- (a) a tax reduction under section 45(1) (marriages before 5 December 2005) or 46(1) (marriages and civil partnerships on or after 5 December 2005) of ITA 2007(a);
- (b) a blind person’s allowance under section 38(1) of ITA 2007(b) or an allowance under section 39(2) of ITA 2007 (transfer of part of blind person’s allowance to a spouse or civil partner).

(3) The relevant years, in relation to the tax year Y, are—

- (a) the previous filing tax year in relation to the tax year Y;
- (b) any tax year after that, up to and including the tax year Y.

(4) If, at the time the person becomes entitled to a relevant reduction or allowance for a relevant year, a digital obligation in relation to the tax year Y has already arisen, it is to be taken never to have arisen.

PART 8

Miscellaneous provisions

Further exemptions

33.—(1) The Commissioners may by direction provide for further exemptions from digital obligations.

(2) The further exemptions referred to in paragraph (1) may, but need not, apply for specific digital obligation tax years and may be defined by reference to any matter, including—

- (a) the amount of income of a relevant person;
- (b) the description of a business of a relevant person;
- (c) the description of a relevant person.

Verification of identity

34. A relevant person who uses functional compatible software to comply with a digital obligation must, in order to comply with the obligation, satisfy such conditions relating to the verification of identity as the Commissioners may specify by direction.

(a) The definition of “ITA 2007” in section 118(1) of TMA 1970 was inserted by paragraph 263(b) of Schedule 1 to ITA 2007. Section 45(1) was amended by Group 1 of Part 10 of Schedule 1 to the Statute Law (Repeals) Act 2013 (c. 2) and S.I. 2020/1143. Section 46(1) was amended by Group 1 of Part 10 of Schedule 1 to the Statute Law (Repeals) Act 2013.

(b) Section 38(1) was amended by S.I. 2025/53.

Form of, and method of giving, notices

35.—(1) A notice which may or must be given under any provision of these Regulations must be—

- (a) in such form, and
- (b) given by such method, including electronic communication,

as the Commissioners may specify by direction.

(2) A direction made under paragraph (1) may make different provision for different cases.

Revocation

36. The following are revoked—

- (a) the Income Tax (Digital Requirements) Regulations 2021^(a);
- (b) the Income Tax (Digital Requirements) (Amendment) Regulations 2024^(b).

	<i>Name</i>
	<i>Name</i>
Date	Two of the Commissioners for His Majesty's Revenue and Customs

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision requiring the use of software to deliver information relating to income tax to His Majesty's Revenue and Customs ("HMRC") and to keep related records.

Part 1 contains general provisions. Regulation 1 provides for citation and commencement. Regulation 2 is an interpretation provision.

Part 2 (regulation 3) defines the "functional compatible software" which must be used to comply with obligations under the Regulations.

Part 3 determines the period for which a relevant person must comply with digital obligations relating to a business. Regulation 4 introduces regulations 5, 6 and 7. Regulations 5 and 6 respectively define "digital start date" and "digital termination date", by reference to the person's carrying on and cessation of a business. Regulation 7 uses these concepts to determine the "digital obligation tax years" for which a person's digital obligations in relation to the business apply.

Part 4 requires a relevant person to use functional compatible software to give HMRC information relating to income tax for digital obligation tax years. Regulation 8 requires the person to use functional compatible software when delivering a tax return required under section 8 of the Taxes Management Act 1970 and gives HMRC power to disapply this obligation and to require the person to deliver the return using an alternative means of electronic communication. Regulation 9 requires the person to use functional compatible software to give HMRC quarterly updates relating to the business. Regulation 10 provides for the content of such updates. Regulation 11 allow a person to elect for quarterly periods to be defined instead by reference to calendar quarters. Regulation 12 defines the quarterly update periods and associated deadlines where no calendar quarters election has effect. Regulation 13 provides for the consequences of such an election. Regulation 14 makes provision for the date on which the final quarterly update period ends.

Part 5 (regulation 15) requires a relevant person to use functional compatible software to keep digital records.

(a) S.I. 2021/1076, amended by S.I. 2024/167.

(b) S.I. 2024/167.

Part 6 makes provision concerning amendments and corrections. Regulation 16 allows a relevant person to use functional compatible software when giving notice of an amendment of a return delivered using such software. Regulation 17 requires a person to correct digital records and quarterly updates upon becoming aware of errors or omissions.

Part 7 provides for various exemptions from digital obligations.

Chapter 1 makes provision concerning excluded persons. Regulation 18 provides for an exemption from digital obligations when an exclusion notice is in place. Regulation 19 makes provision for HMRC to give an exclusion notice to a person considered to be excluded. Regulation 20 defines “excluded”.

Chapter 2 provides for exemptions by reference to the amount of qualifying income and the qualifying amount. Regulation 21 provides for an exemption where the Chapter applies. Regulation 22 provides the conditions for an income-based exemption for the tax year 2026-27. Regulations 23 and 24 provide alternative conditions for an income-based exemption for subsequent tax years. Regulation 25 defines “qualifying income”, used in the application of regulations 22 to 24. Regulation 26 provides for the determination of qualifying income. Regulation 27 defines the “qualifying amount”. Regulation 28 allows the Commissioners to specify a new qualifying amount.

Chapter 3 (regulation 29) provides for exemptions from digital obligations relating to two descriptions of business, namely the business of a visiting performer and the provision of qualifying care.

Chapter 4 provides for exemptions from digital obligations for persons having a specified descriptions and for persons entitled to certain reductions or allowances. Regulation 30 provides for exemptions for trustees, donors of powers of attorney, ministers of religion and Lloyd’s underwriters. Regulation 31 makes provision for the case where regulation 30 begins to apply to a relevant person after the beginning of a digital obligation tax year. Regulation 32 provides an exemption for persons entitled to reductions for married couples or allowances for blind persons.

Part 8 contains miscellaneous provisions. Regulation 33 allows the Commissioners for HMRC to make provision for further exemptions. Regulation 34 allows the Commissioners to make provision for identity verification conditions which must be satisfied by relevant persons. Regulation 35 makes provision about the giving of notices under these Regulations. Regulation 36 revokes the Income Tax (Digital Requirements) Regulations 2021 (S.I. 2021/1076) and the Income Tax (Digital Requirements) (Amendment) Regulations 2024 (S.I. 2024/167).

A Tax Information and Impact Note covering this instrument was published on 22nd February 2024 alongside S.I. 2024/167. This has been updated as a result of changes to the impacts as a result of this instrument and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.