

PART 1 General

Citation and commencement

1. These Regulations may be cited as the Income Tax (Digital Requirements) Regulations 2021 and come into force on 6th April 202~~6~~⁴.

Interpretation

2. In these Regulations—

“TMA 1970” means the Taxes Management Act 1970;

“Commissioners” means the Commissioners for Her Majesty’s Revenue and Customs;

~~“designatory information” means information which enables HMRC to identify a relevant person, the type of business carried on by a relevant person, the commencement and cessation dates of the business or the basis used for calculating taxable profits for the purposes of income tax;~~

“digital records” has the meaning given by regulation 6;

“the digital requirements” has the meaning given by regulation 3(1);

“digital start date” has the meaning given by regulation 4;

~~“end of period information” means financial information⁽²⁾ and other information in respect of the business of a relevant person for a relevant period⁽³⁾;~~

~~“end of period notice” has the meaning given by regulation 12;~~

“HMRC” means Her Majesty’s Revenue and Customs;

“property business” has the same meaning as it has in section 263(6) of ITTOIA 2005⁽⁴⁾;

“quarterly deadline” has the meaning given by regulation 7(5);

“quarterly period” has the meaning given by regulation 7;

“quarterly update period” has the meaning given by regulation 7(2);

“relevant person” means a person to whom Schedule A1 applies by virtue of paragraph 1 or 2 of Schedule A1, other than a person to whom an exemption applies by virtue of Part 7 or 8 of these Regulations;

“retailer” has the same meaning as it does in Schedule 11 to the Value Added Tax Act 1994⁽⁵⁾;

~~“retail sales notice” has the meaning given by regulation 16(1);~~

“Schedule A1” means Schedule A1 of TMA 1970;

“update information” means financial information and other information in respect of the business of a relevant person for a quarterly update period;

“update notice” has the meaning given by regulation 8(1).

Use of functional compatible software

3.—(1) A relevant person must use functional compatible software to comply with the following requirements (“the digital requirements”)—

(a) to record digital records under Part 2;

(b) to preserve those digital records until the end of the relevant day as required by section 12B(1A)(b) of TMA 1970⁽⁶⁾;

(c) to provide quarterly updates under Part 3; and

~~(e) to provide corrections to digital records under Part 6.~~

~~(d) to provide an end of period statement⁽⁷⁾ under Part 4.~~

(2) Where a relevant person has received notice to file for a year of assessment under section 8 of TMA 1970 ~~and is required to file an end of period statement for that tax year⁽⁸⁾~~, that person may use functional compatible software to comply with the duty to file the things mentioned in subsection (1AB)(a) for that year⁽⁹⁾.

(3) “Functional compatible software” means a software program or set of compatible software programs which comply with conditions set out in a software notice, where such notice has been made, and the functions of which include—

(a) recording and preserving digital records in a digital form;

(b) providing to HMRC quarterly updates ~~and end of period statements and~~ by using the API platform; and

(c) receiving information from HMRC using the API platform in relation to a relevant person’s compliance with obligations under these Regulations.

(4) “Software notice” means a general direction given by the Commissioners which is stated to be given further to this regulation and specifies conditions with which functional compatible software must comply.

(5) A software notice may specify different conditions for different cases or purposes.

(6) “API platform” means the application programming interface that enables electronic communication with HMRC, as specified by notice made by the Commissioners.

Digital start date

4.—(1) Where a relevant person is carrying on a business⁽¹⁰⁾ immediately before 6th April 202~~5~~³ the digital start date that applies to that business is 6th April 202~~5~~⁴.

(2) Paragraph ~~(5) s (3) and (4)~~ applies where a relevant person—

(a) commences carrying on a business on or after 6th April 202~~5~~³; and

(b) is required to make or deliver a return under section 8 of TMA 1970 including information relating to that business.

(5) The digital start date that applies to the business is 6th April in the year of assessment following the year of assessment in which the person was required to deliver the return.

~~(3) Where the exception in section 8(1G) of TMA 1970 (11) applies to the return, the digital start date that applies to the business is 6th April in Year 4, where Year 1 is the year of assessment to which the return relates.~~

~~(4) In any other case, the digital start date that applies to the business is 6th April in Year 3, where Year 1 is the year of assessment to which the return relates.~~

PART 2 Digital records

Keeping and recording digital records

5.—(1) A relevant person must keep digital records for each business for the period beginning with the digital start date which applies to the business and ending with the date on which the business ceases.

(2) A relevant person must record a digital record by no later than—

(a) the quarterly deadline for the quarterly update period in which the digital record falls; or

(b) immediately before the relevant person provides the quarterly update for the quarterly update period in which the digital record falls,

whichever is the earlier.

Digital records

6.—(1) Subject to paragraph (3), “digital records” for a business means records of—

(a) the financial information included in update information.

(b) the details of the items comprised in that information.

(c) the amounts and dates on which those items were received or incurred, and

(d) such other information as the Commissioners consider relevant to ascertaining update information as may be specified by a notice made by the Commissioners which is stated to be made further to this regulation.”; records of each of the transactions made in the course of the business, including—

~~(a) the amounts of the transactions;~~

~~(b) the dates of the transactions, according to the basis used by the relevant person for recording transactions for the purposes of income tax; and~~

~~(c) the categories of transactions into which the transactions fall, to the extent those categories are specified.~~

~~(2) Except as provided by paragraph (3), a transaction falls within the category of transaction applicable to it which may be specified in an update notice which exists at the date of the transaction.~~

(3) In respect of the retail sales of the business of a retailer, a relevant person may keep such digital records as may be specified by a notice made by the Commissioners which is stated to be made further to this paragraph~~if a relevant person so elects under regulation 15(2) in respect of a tax year, digital records are such records of a transaction as may be specified in a retail sales notice.~~

PART 3 Quarterly updates

Quarterly updates

7.—(1) A relevant person must provide to HMRC update information for a business, as specified in an update notice, in respect of each quarterly update period for each tax year.

(2) “Quarterly update” means the provision of information required by paragraph (1).

(3) Subject to paragraphs (8), (9) and (10) and regulation 9(1A), the quarterly update periods for a tax year are those specified in the following table.

	<i>Period</i>
Quarterly <u>update</u> period 1	The period beginning with the first day of the tax year (6th April) and ending with the following 5th July
Quarterly <u>update</u> period 2	The period beginning with the <u>first day of the tax year (6th April)</u> day immediately following the end of quarterly period 1 (6th July) and ending with the following 5th October
Quarterly <u>update</u> period 3	The period beginning with the <u>first day of the tax year (6th April)</u> day immediately following the end of quarterly period 2 (6th October) and ending with the following 5th January
Quarterly <u>update</u> period 4	The period beginning with <u>the first day of the tax year (6th April)</u> the day immediately following the end of quarterly period 3 (6th January) and ending with the following 5th April

(4) Each quarterly update must be provided by no later than the quarterly deadline.

(5) The quarterly deadlines for each quarterly update period are the dates specified in the following table.

	<i>Deadline</i>
Quarterly <u>update</u> period 1	5th August following the end of quarterly period 1
Quarterly <u>update</u> period 2	5th November following the end of quarterly period 2
Quarterly <u>update</u> period 3	5th February following the end of quarterly period 3
Quarterly <u>update</u> period 4	5th May following the end of quarterly period 4

(6) A relevant person may make an election under this paragraph for a business in respect of a tax year (“a calendar quarters election”).

(7) A calendar quarters election has effect for the tax year in respect of which it is made and for subsequent tax years until it is withdrawn.

(8) Subject to paragraph (9) and regulation 9(1A), where a calendar quarters election has effect for a tax year, the quarterly update periods for that tax year are those specified in the following table.

<i>Period</i>	
Quarterly <u>update</u> period 1	The period beginning with 1st April before the beginning of the tax year and ending with the following 30th June
Quarterly <u>update</u> period 2	The period beginning with 1st April before the beginning of the tax year <u>the day immediately following the end of quarterly period 1 (1st July)</u> and ending with the following 30th September
Quarterly <u>update</u> period 3	The period beginning with 1st April before the beginning of the tax year <u>the day immediately following the end of quarterly period 2 (1st October)</u> and ending with the following 31st December
Quarterly <u>update</u> period 4	The period beginning with 1st April before the beginning of the tax year <u>the day immediately following the end of quarterly period 3 (1st January)</u> and ending with the following 31st March

(9) For the first tax year for which a calendar quarters election has effect, quarterly update period 1 is the period beginning with the first day of the tax year (6th April) and ending with the following 30th June.

(10) For the tax year following the final tax year for which a calendar quarters election has effect, quarterly update period 1 is the period beginning with 1st April before the beginning of the tax year and ending with the following 5th July.

(11) A calendar quarters election must be made by notice to HMRC by no later than—

(a) the quarterly deadline for the quarterly update period in respect of the first quarterly update provided by the relevant person ~~quarterly period 1~~ for the tax year in respect of which the election is made; or

(b) the time at which the relevant person provides the first quarterly update in respect of a quarterly update period ~~quarterly update in respect of quarterly period 1~~ for the tax year in respect of which the election is made,

whichever is the earlier.

(12) A calendar quarters election may be withdrawn by notice to HMRC at any time.

(13) Where a calendar quarters election is withdrawn, it ceases to have effect—

(a) at the beginning of the tax year in which it is withdrawn, where the withdrawal is made before any quarterly update has been provided for that year and by no later than—

- (i) the quarterly deadline for quarterly update period 1 for the tax year in which it is withdrawn; or
 - (ii) the time at which the relevant person provides the quarterly update in respect of quarterly update period 1 for the tax year in which it is withdrawn,
- whichever is the earlier; and
- (b) immediately after the end of the tax year in which it is withdrawn, in all other cases.

Update notices

8.—(1) “Update notice” means a notice made by the Commissioners which is stated to be made further to this regulation and which specifies update information to be provided to HMRC.

~~_(2) The update information which may be specified includes (but is not limited to) —~~

~~(a) providing designatory information;~~

~~(b) providing totals of the amounts falling within specified categories of transactions, being amounts derived from the relevant person’s digital records; and~~

~~(c) identifying the properties which form part of a property business.~~

(3) For different descriptions of relevant person, different ~~designatory information or different categories of transactions~~ update information may be specified.

Commencement and cessation of the requirement to provide quarterly updates

9.—(1) For the purposes of regulation 7(1), the first quarterly update period for a business is the period beginning on the digital start date which applies to the business.

~~“(1A) Where a person ceases to carry on a business, the quarterly update period ends on the date of the cessation.~~

(2) A final quarterly update for the business is required for the quarterly update period during which the business ceases to be carried on.

(3) Where paragraph (2) applies, the relevant person must include in the quarterly update a notice that it is the final quarterly update for the business by virtue of its cessation and include in the notice the date of cessation.

Early provision of update information for quarterly update periods

10.—(1) Subject to paragraph (2), a relevant person may provide update information as specified in an update notice for the whole of a quarterly update period before the end of that period.

(2) A relevant person may do so only if—

- (a) the update information is provided by a date (“the provision date”) which is within 10 days before the end of the quarterly update period;
- (b) when providing the update information, the relevant person confirms that the update information covers the whole of quarterly update period; and
- (c) the relevant person reasonably expects that no update information will arise in respect of the period commencing with the provision date and ending with the end of the quarterly update period.

~~PART 4 End of period statements~~

~~Provision of end of period statements~~

~~11.—(1) A relevant person must provide to HMRC an end of period statement (~~12~~) in relation to each relevant period.~~

~~(2) An end of period statement must include—~~

- ~~(a) end of period information for the relevant period specified in an end of period notice; and~~
- ~~(b) a declaration by the relevant person that the information contained in the end of period statement is correct and complete to the best of that person’s knowledge.~~

~~End of period notices~~

~~12. “End of period notice” means a notice made by the Commissioners which is stated to be made further to this regulation and which specifies end of period information to be provided to HMRC.~~

~~Specified information~~

~~13.—(1) The end of period information which may be specified includes (but is not limited to)—~~

- ~~(a) providing designatory information;~~
- ~~(b) identifying the relevant period to which the information relates;~~
- ~~(c) providing totals of the amounts falling within specified categories of transactions for the relevant period;~~
- ~~(d) identifying the properties which form part of a property business; and~~
- ~~(e) providing information concerning any—~~
 - ~~(i) adjustments, allowances, balancing charges or costs;~~
 - ~~(ii) losses or exemptions; and~~
 - ~~(iii) reliefs and allowances.~~

~~(2) For different descriptions of relevant person, different designatory information or different categories of transactions may be specified.~~

Commencement and cessation of requirement to provide end of period statements

~~14.—(1) For the purposes of regulation 11(1), the first end of period statement is required for the first relevant period which begins on or after the digital start date which applies to the business.~~

~~(2) A final end of period statement is required for the relevant period in which the business ceases.~~

~~(3) Where paragraph (2) applies, the relevant person must include in the end of period statement a notice that it is the final statement for the business by virtue of its cessation.~~

PART 5 Retail sales of retailers

Retailers — elections

~~15.—(1) This regulation applies to a relevant person who carries on a business of a retailer.~~

~~(2) The relevant person may elect in respect of each tax year that the digital records in relation to the retail sales of that business are those specified in a retail sales notice, where such a notice has been made.~~

Digital records in relation to retail sales

~~16.—(1) The Commissioners may specify in a notice (“a retail sales notice”) digital records in respect of the retail sales of the business of a retailer.~~

~~(2) Such digital records may include categories of transactions other than the categories specified in an update notice.~~

~~(3) A retail sales notice must be stated to be made further to this regulation.~~

PART 6 Corrections and omissions

Digital records – corrections and omissions

17.—(1) Where a relevant person discovers an error or omission in their digital records, the relevant person must correct the digital records as soon as possible.

(2) Paragraph (3) applies where—

(a) in consequence of such an error or omission a quarterly update is provided to HMRC which contains incorrect or incomplete information; ~~and~~

~~(b) an end of period statement has not been provided for the relevant period to which the quarterly update applies.~~

(3) The relevant person must provide the correct or complete information to HMRC when the relevant person next provides—

~~(a) a quarterly update; or~~

~~(b) the end of period statement,~~

~~whichever the relevant person is first required to provide after the digital records are corrected.~~

End of period statements — amendment by relevant persons

~~18.—(1) A relevant person may amend an end of period statement which that person has provided.~~

~~(2) The relevant person must give notice of the amendment to HMRC.~~

~~(3) An amendment may only be made before the earlier of—~~

~~(a) the date by which the relevant person is required to comply with a notice to file under section 8 of TMA 1970 for the tax year to which the end of period statement relates; or~~

~~(b) the time when the relevant person has so complied.~~

End of period statements — corrections by HMRC

~~19.—(1) HMRC may amend an end of period statement so as to correct it.~~

~~(2) The corrections which may be made to an end of period statement by virtue of this regulation are corrections of the type as may be made to a return by virtue of section 9ZB(1) of TMA 1970(13).~~

~~(3) A correction must be made by notice to the relevant person whose end of period statement it is.~~

~~(4) A correction may only be made before the earlier of—~~

~~(a) the date by which the relevant person is required to comply with a notice to file under section 8 of TMA 1970 for the tax year to which the end of period statement relates; or~~

~~(b) the time when the relevant person has so complied.~~

~~(5) A correction is of no effect if the relevant person whose end of period statement it is gives notice rejecting the correction.~~

~~(6) Notice of rejection must be given before the end of the period of 30 days beginning with the date on which the notice of correction is given.~~

Exemption for the digitally excluded and persons with no NINO

20.—(1) The digital requirements do not apply to a person for a tax year if—

- (a) at the time any of those requirements would otherwise apply the person is ~~digitally~~-excluded(14);
- (b) the person gives notice to HMRC that the person is ~~digitally~~-excluded; and
- (c) the Commissioners confirm they are satisfied that the person is ~~digitally~~-excluded.

(1A) A person is excluded if—

- (a) the person is digitally excluded(a); or
- (b) the person does not have a national insurance number.”;

(2) A notice under paragraph (1)(b) must—

- (a) specify how the ~~digital~~-exclusion condition is met in relation to the person; and
- (b) specify the date from which the ~~digital~~-exclusion condition is met and, if the person has since ceased to be ~~digitally~~-excluded, the date on which the condition ceased to be met.

(3) On receipt of a notice under paragraph (1)(b), the Commissioners must give a notice that either they are or are not satisfied that the person is ~~digitally~~-excluded.

(4) A notice by the Commissioners under paragraph (3) must be given within 28 days of receiving the notice under paragraph (1)(b).

(5) Where—

- (a) the Commissioners have given notice that they are satisfied that a person is ~~digitally~~ excluded; and
- (b) the person then ceases to be ~~digitally~~-excluded,

the person must give notice of so ceasing to HMRC within 3 months of the person ceasing to be ~~digitally~~ excluded.

(6) A notice under paragraph (5) must specify the date on which the person ceased to be ~~digitally~~-excluded.

(7) If the Commissioners cease to be satisfied that a person is ~~digitally~~-excluded they must give notice to the person that they have ceased to be so satisfied.

(8) A notice under paragraph (7) must specify the date on which the Commissioners ceased to be satisfied that the person was ~~digitally~~-excluded.

(9) If a person ceases to be ~~digitally~~-excluded, the digital requirements apply in respect of the tax year following that in which the person ceased to be ~~digitally~~-excluded and to subsequent tax years.

(10) “National insurance number” means the national insurance number allocated within the meaning of regulation 9 of the Social Security (Crediting and Treatment of Contributions, and National Insurance Numbers) Regulations 2001(1).”

PART 8 Other exemptions

Income exemption

21.—(1) The digital requirements do not apply to a person for a tax year to which the exemption in this regulation applies.

(3) The exemption applies—

(a) for the tax year 2026-27, if the amount of the person’s qualifying income for the tax year 2024-25 is not more than £50,000, and

(b) for subsequent tax years, if the amount of the person’s qualifying income for the most recent tax year in relation to which the filing deadline fell before the start of the tax year in question is not more than £30,000.

~~(2) The exemption does not apply if the person has elected not to be exempt.~~

~~(3) The exemption applies to a tax year if—~~

~~(a) the digital requirements did not apply to the person in respect of the previous tax year; and~~

~~(b) the amount of the person’s qualifying income for the most recent tax year in relation to which the filing deadline fell before the start of the tax year in question is not more than £10,000.~~

(4) The filing deadline in relation to a tax year is the date on or before which the person is required to comply with a notice to file under section 8 of TMA 1970.

(5) A person’s qualifying income for a tax year is the sum of the amounts of income, ~~before any deductions,~~ which, for each business carried on by the person in that tax year, are included in that person’s return under section 8 of TMA 1970 for that tax year⁽¹⁵⁾.

(5A) But a person’s qualifying income for a tax year does not include any qualifying care receipts for that tax year.

(5B) For the purpose of paragraph (5), the amount of income for each business is—

(a) the amount included in the return before any deductions, or

1) S.I. 2001/769, regulation 9 was amended by SI 2006/2897, S.I. 2008/223, S.I. 2015/67 and S.I. 2015/1828.

(b) if a person is not required to include in the return the amount of income before any deductions, the amount included in the return after deductions.

(5C) For the purposes of determining a person's qualifying income for a tax year, no account will be taken of any amendment to that person's return for that year made after the start of the tax year to which the exemption under this regulation would apply.

(6) If a person's qualifying income for a tax year is in respect of a period of other than 12 months, the qualifying income must be adjusted proportionately on a time basis, or, if it appears that that method would work unreasonably or unjustly, on a just and reasonable basis.

(7) If a person is not carrying on a business in a tax year the qualifying income is treated as nil.

(8) "Qualifying care receipts" has the same meaning as in Chapter 2 of Part 7 of ITTOIA 2005(2)."

Income exemption: persons to whom the digital requirements have applied for three tax years

22.—(1) The digital requirements do not apply to a person for a tax year to which the exemption in this regulation applies.

~~(2) The exemption does not apply if the person has elected not to be exempt.~~

(3) The exemption applies if—

(a) the digital requirements applied to the person in respect of each of the three previous tax years; and

(b) the person's qualifying income for each of those three tax years was not more than £340,000.

(4) A person's qualifying income for a tax year is—

(a) the sum of the amounts of income, before any deductions, which, for each business carried on by the person in that tax year, are included in that person's return under section 8 of TMA 1970 for that tax year; or

(b) where the tax year has ended but the filing deadline for the tax year has not passed, so much of the amounts of income, before any deductions, as are included in the quarterly updates for that tax year for each business carried on by the person.

(5) The filing deadline in relation to a tax year is the date on or before which the person is required to comply with a notice to file under section 8 of TMA 1970.

2) The meaning of "qualifying care" is given in section 805A of the Income Tax (Trading and Other Income) Act 2005 (c. 5) which was amended by paragraph 5 of Schedule 1 to the Finance (No. 3) Act 2010 (c. 33), paragraph 42 of the Finance Act 2013 (c. 29) and paragraph 11 of Schedule 16 to the Finance (No. 2) Act 2017 (c. 32).

(6) If a person's qualifying income for a tax year is in respect of a period of other than 12 months, the qualifying income must be adjusted proportionately on a time basis, or, if it appears that that method would work unreasonably or unjustly, on a just and reasonable basis.

Election not to be exempt

- ~~23.—(1) An election by a person not to be exempt under regulation 21 or 22 must—~~
- ~~(a) specify the tax year in respect of which the exemption would otherwise apply; and~~
 - ~~(b) be made before the start of that tax year.~~
- ~~(2) An election has effect for the tax year referred to in paragraph (1)(a) and for subsequent tax years in which the exemption would otherwise apply.~~
- ~~(3) An election may be withdrawn at any time specifying the date of the withdrawal.~~
- ~~(4) The digital requirements apply to the tax year in which the date specified in the withdrawal falls.~~
- ~~(5) An election and any withdrawal of an election must be made by notice to HMRC.~~

Non-resident company exemption

24. The digital requirements do not apply to a company which is chargeable to tax under Part 3 of ITTOIA 2005.

Trustee exemption

- 25.—(1) The digital requirements do not apply to a person acting as a trustee.
- (2) For the purposes of paragraph (1), a trustee includes an executor or administrator who is liable to income tax under section 74(1) of TMA 1970.

Exemption for foreign businesses of non-UK domiciled individuals

- 26.—(1) The digital requirements do not apply to a person in respect of that person's foreign businesses for a tax year in which the person is not domiciled in the United Kingdom.
- (2) For the purposes of paragraph (1), a person's foreign businesses are—
- (a) that person's overseas property business within the meaning of section 265 of ITTOIA 2005; and
 - (b) any trade, profession or vocation carried on by that person outside the United Kingdom.

(3) Where a person carries on a trade, profession or vocation partly in the United Kingdom and partly outside the United Kingdom, the part carried on outside the United Kingdom is a foreign business for the purposes of paragraph (1), but the part that is carried on in the United Kingdom is not.

(4) Section 835BA (deemed domicile)([16](#)) of ITA 2007([17](#)) applies for the purposes of this regulation.

Qualifying care exemption

26A.—(1) The digital requirements do not apply to a person in respect of that person’s provision of qualifying care.

(2) “Qualifying care” has the same meaning as in Chapter 2 of Part 7 of ITTOIA 2005(3).”.

PART 9 Election for Schedule A1 to apply

Election for Schedule A1 to apply

~~27.—(1) An election under paragraph 2(2) of Schedule A1 must—~~

~~(a) specify the tax year in which the exclusion of Schedule A1 would otherwise apply; and~~

~~(b) be made before the start of the tax year so specified.~~

~~(2) An election has effect for the tax year referred to in paragraph (1)(a) and for subsequent tax years in which the exclusion would otherwise apply.~~

~~(3) An election may be withdrawn at any time specifying the date of the withdrawal.~~

~~(4) The withdrawal has effect for the tax year in which the date specified in the withdrawal falls.~~

~~(5) An election and any withdrawal of an election must be made by notice to HMRC.~~

PART 10 Notices

Notices

28.—(1) Paragraph (2) applies to a notice which may be made, or which may be required to be made, by a person under any of the following regulations—

~~(za) 6(1)(d);~~

~~(zb) 6(3);~~

~~(a) 7(11);~~

3) The meaning of “qualifying care receipts” is given in section 805 of the Income Tax (Trading and Other Income) Act 2005 which was inserted by paragraph 6 of Schedule 1 to the Finance (No. 3) Act 2010.

(b)7(12);

(c)9(3);

~~(d)14(3);~~

~~(e)18(2);~~

~~(f)19(5);~~

(g)20(1)(b);

(h)20(5);

~~(i)23(5); and~~

~~(j)27(5).~~

(2) Such a notice must be made in such form and provided in accordance with such method, including electronic, as the Commissioners may specify from time to time.