PCRT, MTD, me and you…

Robyn Milstead talks you through the latest professional guidance around MTD ITSA

I'm honoured to have been invited to contribute regularly to this magazine on the topic of MTD ITSA. Over the coming months, I'll be exploring various aspects of MTD that have sparked reflection and discussion. Readers of my previous article may recall that I founded a WhatsApp group in February dedicated to MTD, bringing together a wide range of professionals – primarily from small and micro businesses. Much of my insight and inspiration stems from the lively and thoughtful conversations within that group, which has come to be known affectionately as MTD Therapy.

Professional standards clarified

In this article I'd like to draw attention to the recently published Topical Guidance Covering the Application of Professional Standards to the Provision of MTD for Income Tax Services, originally released by the main professional bodies (AAT, ACCA, ATT, CIOT, ICAS, ICAEW and STEP) on 30 May 2025, and since updated on 25 July 2025. This guidance seeks to clarify how the principles of Professional Conduct in Relation to Taxation (PCRT) apply within the context of Making Tax Digital for Income Tax (MTD IT).

It presents 10 FAQs addressing key issues surrounding MTD IT. I would like to highlight those points I believe are particularly significant and deserving of close consideration.

A firm no to 'NIL'

While quarterly submissions under MTD IT are set to attract no inaccuracy penalties, the newly published guidance makes it unequivocally clear that submitting NIL returns – or using estimated or partial figures – is not acceptable, under professional standards, if the information is factually incorrect.

I have personally been one of the furious webinar typists quick to ask HMRC what they will actually do in the case of repeated NIL return submission and, helpfully, it appears that the guidance sheds some light in this area: HMRC retains the power to issue penalties for failing to maintain digital records, and a NIL return may be taken as evidence that such records are not being kept. In effect, the submission of inaccurate or NIL data could raise red flags and invite scrutiny.

I strongly suspect this will be a focal point for HMRC compliance activity in the near future, and we may soon start to hear about an increase in enquiries in response.

Push to take ownership

The guidance firmly reiterates that returns must reflect what the agent believes to be accurate at the time of submission, and that "a member should take care not to be associated with the presentation of facts they know or believe to be incorrect or misleading".

While the guidance acknowledges that tax and accounting adjustments are not required in the quarterly updates, it still leaves a grey area around what constitutes an 'inaccurate' or 'misleading' submission.

FAQ 4 explores a common dilemma: where an adviser receives a line item they don't fully understand, should they delay filing until they gain clarity, or proceed to file on time with partial understanding? At first glance, the answer appears pragmatic. It reminds professionals of their duty to ensure accuracy based on the information available – but ultimately supports filing on time using 'the best available information', and discourages late submissions.

But this raises a very real question: what happens when a client provides information at the last minute – perhaps the day before the deadline – that seems questionable or incomplete? The guidance seems to nudge us toward timely filing, but offers little comfort on how far we can reasonably go in making judgment calls under pressure.

Further to this, FAQ 8 extends the scope of professional responsibility – not just to figures that are unclear, but also to those that appear incorrect or raise red flags. The guidance states plainly: "It is expected that members will challenge this with their client."

This raises a fair question about proportionality. For quarterly submissions that attract no inaccuracy penalties and will ultimately be corrected at year end, one might reasonably ask what value this level of scrutiny adds – especially for already time-stretched professionals.

It certainly reinforces the growing expectation that advisers should not simply forward client-supplied figures, but should review, sense-check and question them as part of the submission process. In that context, it's time for those who continue to suggest that MTD IT will amount to 'just clicking a button' to pipe down. That narrative ignores both the practical demands, and the professional standards now clearly expected.

Getting client approvals

The guidance confirms that advisers should obtain documented client approval for year-end tax returns (MTD Tax Returns) and also confirms from a PCRT perspective this is only necessary once for Final Declaration (after a tax calculation has been retrieved from HMRC). However, when it comes to quarterly submissions, it states: "There is no expectation that the member will obtain their client's approval of the figures being submitted in quarterly updates provided that the client has confirmed to the member that the information and records provided are complete and accurate."

While this does fulfil the hope that many had that formal client approval is not outright expected for quarterly submissions it does raise some (more!) questions. What form should 'client confirmation' that the information and records provided are complete and accurate take? A term in an engagement letter? A telephone call? Should that telephone call then need to be documented? An email? How regularly should that assurance be given by the client?

Off the back of this, and with a big unanswered question over what insurers will want to see, I think many will choose to obtain formal approval each quarter.

With that thought, let's not then forget the practical workload involved again: engaging with the client, prompting for information, reviewing and processing that information, obtaining and documenting approval of completeness, potentially making revisions, and then filing the submission – none of that takes "just 30 seconds".

If you're handling quarterly submissions on behalf of clients, please don't undersell the time, effort, and professional responsibility involved.

What’s missing?

One subtle omission from the guidance is any question extensively covering where a client chooses to make their own quarterly submissions, without adviser involvement.

This is a scenario that’s becoming increasingly common in my conversations with clients. Many, in an effort to reduce costs, are indicating that they would prefer to handle quarterly submissions themselves. And to be honest I’m not entirely unhappy about that. I’m reluctant to push clients to have me involved in what feels like an unnecessary HMRC dance that would also put me under ambiguous professional obligations and sketchy professional liability.

I suspect that some of my clients will spend a year trying to manage it themselves, miss a few deadlines (as self-employed clients and landlords are typically juggling multiple roles), and ultimately realise it’s time for more regular professional support. My team and I are ready to step in when that time comes, but for now it’s a wait-and-see approach.

I will be watching closely to see if the professional institutes offer any guidance on whether agents have a formal responsibility to flag to clients when their quarterly submissions appear questionable or substandard, or if this falls outside our remit. However, I expect this will again be a question for insurers as Q7 does touch on HMRC’s risk-based approach where Quarterly Updates differ from the MTD Tax Return to the extent that this points to systemic issues.

If such a responsibility to continually monitor and flag for problems where someone else is making the submission, it does feel like a Catch-22 – damned if we do, and damned if we don’t.

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