

Making Tax Digital for Income Tax

What small business owners
and landlords need to know

A CLEAR, PRACTICAL
GUIDE TO MTD IT



SUMMARY

Making Tax Digital for Income Tax

A simple summary for business owners & landlords

WHAT IS MTD FOR INCOME TAX?

Making Tax Digital for Income Tax (MTD IT) changes how self-employed individuals and landlords report income to HMRC. Instead of one annual tax return, you will submit quarterly updates throughout the year using compatible software, plus a final tax return.

WHO DOES THIS APPLY TO?

MTD IT applies based on your **most recently submitted tax** return and your **combined income from self-employment and property**.

These thresholds relate to **income, not profit**.

- From April 2026 if your **2024/25 tax return** shows income over **£50,000**
- From April 2027 if your **2025/26 tax return** shows income over **£30,000**
- From April 2028 if your **2026/27 tax return** shows income over **£20,000**

This includes **all landlords with rental income**, even where the rental property is **outside the UK**.

WHAT WILL YOU NEED TO DO?

Each year you will submit:

- **4 quarterly updates**
- **1 final end-of-year declaration**

All submissions must be made digitally using **MTD-compatible software** some of which are spreadsheet based.

WHEN ARE THE DEADLINES?

Quarterly updates are due **one month plus 7 days after the quarter ends**:

- 7 August
- 7 November
- 7 February
- 7 May

The final declaration is due by **31 January** following the end of the tax year.

WILL THIS CHANGE WHEN I PAY TAX?

No. Tax payment dates remain the same.

Quarterly updates **do not create tax bills**, but HMRC will use them to provide a **live estimate** of the tax that may be due.

If you also receive PAYE income, HMRC may adjust your **tax code** to collect tax more evenly. The final position is still confirmed at year end.

DO I NEED NEW SOFTWARE?

Yes. MTD requires **digital records** using compatible software.

Most software uses **secure bank feeds** to automatically pull transactions from your bank account, reducing admin and errors.

WHAT SHOULD I DO NOW?

Start preparing early.

Good systems and clear processes make MTD far less stressful.

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FULL GUIDE

Making Tax Digital for Income Tax

What small business owners and landlords need to know

This guide explains what is changing under Making Tax Digital for Income Tax (MTD IT), who it applies to, and the practical steps you can take now to avoid last-minute stress.

WHY THIS GUIDE MATTERS

MTD IT represents a significant change in how self-employed individuals and landlords report income to HMRC. Many people are unsure what is required, when it applies to them, and how much extra work is involved. This guide provides clear, plain-English information so you can understand what's changing and prepare with confidence.

WHO MTD IT APPLIES TO

MTD IT applies based on your **most recently submitted tax return** and your **relevant turnover** from self-employment and/or property income.

- From April 2026 if your **2024/25 tax return** shows income over **£50,000**
- From April 2027 if your **2025/26 tax return** shows income over **£30,000**
- From April 2028 if your **2026/27 tax return** shows income over **£20,000**

If you have both self-employment income and property income, these figures are **combined**.

MTD IT applies to **all landlords**, including those with rental income from property located **outside the UK**.

There are **very limited exemptions** from MTD IT in rare circumstances but most self-employed individuals and landlords will be required to comply.

HMRC should already have written to you if you are affected. If you are unsure whether this applies to you, it is worth checking.

WHAT IS CHANGING

Instead of submitting one annual tax return, you will submit **five digital submissions each year**:

- Four quarterly updates
- One final end-of-year declaration

All submissions must be made using **MTD-compatible software**.

WHAT STAYS THE SAME (AND HOW TAX IS COLLECTED)

Tax payment dates are **not changing**.

You will still normally pay tax:

- By **31 January**
- By **31 July**, where payments on account apply

Quarterly updates **do not create tax bills**.

If you also receive income taxed under **PAYE**, HMRC may adjust your **tax code** to collect some tax during the year. The final tax position is confirmed through the end-of-year declaration.

UNDERSTANDING QUARTERLY UPDATES

Quarterly updates are **summaries of income and expenses**, not final tax calculations.

HMRC will use the information submitted to provide a **live estimate of the tax that may be due by the following 31 January**. This estimate is intended to help with planning and is **not a tax demand**.

Quarterly updates:

- Can be based on estimates
- Do not include all year-end adjustments
- Provide greater visibility throughout the year

Because updates are submitted regularly, records need to be kept **up to date throughout the year**, rather than prepared once annually.

Rental properties and joint ownership

- For **jointly owned property**, you submit **your share** of rental income
- For **solely owned property**, you submit the **full rental income and expenses**

MTD IT REPORTING DEADLINES

Quarterly updates must be submitted **one month plus 7 days after the end of the quarter**. The deadlines are:

- 7 August
- 7 November
- 7 February
- 7 May

The final end-of-year declaration is due by **31 January** following the end of the tax year.

SIGNING UP FOR MTD IT

Being required to use MTD IT **does not mean you are automatically signed up.**

Even if HMRC writes to you confirming that MTD IT applies, you (or your accountant) must still **actively sign up** before your first quarterly submission.

Signing up:

- Is done online through HMRC
- Must be completed before your first quarterly update
- Can be completed by your accountant if they act as your agent

Once signed up, you can no longer use the old Self Assessment online system. All reporting must be done through **MTD-compatible software.**

SOFTWARE AND DIGITAL RECORDS

MTD IT requires **digital records** and **MTD-compatible software.** Paper receipts can still be kept, but transactions must also be recorded digitally.

Spreadsheets alone are not sufficient, and must be used with additional software to submit data to HMRC.

Opening a **dedicated business bank account** is strongly recommended. Most MTD software uses **secure bank feeds** to automatically pull transactions from your account, reducing manual work and improving accuracy.

Some business bank accounts (for example **Mettle** or **NatWest**) provide free access to **FreeAgent**, which is **HMRC-recognised and fully MTD-compliant.** Other low-cost software options are also available, such as **Xero's Simple plan.**

YOUR MTD IT COMPLIANCE OPTIONS – WHO DOES WHAT

Under MTD IT, there is flexibility over who handles different parts of the process. What matters is that records are kept digitally, submissions are made on time, and the final tax position is correct.

The following assumes the use of accountants to help with your tax returns, but some taxpayers might be happy to do everything themselves.

Option 1

You do the bookkeeping, your accountant submits the quarterly updates and completes the year-end tax return

You keep your records up to date using software. Your accountant reviews the records, submits the quarterly updates, and completes the final declaration.

Option 2

You do the bookkeeping and quarterly submissions, your accountant completes the year-end tax return

You maintain your bookkeeping and submit your own quarterly updates. Your accountant reviews everything at year end and submits the final declaration.

Option 3

Your accountant does the bookkeeping, submissions, and year-end tax return

Your accountant maintains the bookkeeping, submits all quarterly updates, and completes the final declaration. This suits those who prefer a more hands-off approach.

A NOTE ON PRICING AND RESPONSIBILITIES

Pricing for MTD IT support will vary depending on the level of involvement required.

Where an accountant is asked to **review, correct, and submit quarterly figures**, the work involved is often **similar to completing the bookkeeping from the start**, as records still need to be checked for accuracy, completeness, and compliance.

As a result, the cost of an arrangement where you complete the bookkeeping but your accountant checks and submits the quarterly updates may be **very similar** to one where the accountant completes the bookkeeping and submissions.

Discussing responsibilities early helps ensure expectations are aligned and the most appropriate approach is chosen.

PENALTIES AND LATE SUBMISSIONS

MTD IT uses a **points-based penalty system**. Occasional mistakes will not automatically lead to fines, but repeated late submissions can result in penalties.

As MTD IT is introduced, HMRC has indicated that the initial focus will be on **supporting taxpayers as they transition to the new system** and helping them understand what is required. However, this does **not remove the requirement to submit updates on time**, and keeping up to date from the outset remains the best way to avoid penalties.

WHAT ABOUT OTHER BUSINESS TYPES?

MTD IT will not apply to limited companies. Partnerships may be brought into MTD IT in the future, although no start date has been announced.

NEXT STEPS

Preparing early makes the transition far smoother. Clear systems and regular record-keeping reduce stress and avoid last-minute issues.

If you are unsure whether MTD IT applies to you, or would like help choosing the right setup, professional guidance can make the process far easier.



Get Ahead Now – Avoid the Last-Minute Rush!

Use MTD IT-compatible software
for seamless digital record-keeping.



Mark all quarterly deadlines
and set up automated reminders.



Work with an accountant
to maximise tax savings and stay compliant.



Start tracking income and expenses
today to avoid future headaches.

**Want an easy transition?
Let's get you set up for success.**

BOOK A FREE MTD STRATEGY CALL NOW

