



## What is Making Tax Digital (MTD)?

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Making Tax Digital (MTD) is a government initiative designed to promote better and more timely record-keeping to reduce errors and mistakes. Currently, the initiative only covers VAT, however from **April 2026** a new system is to be introduced by H M Revenue & Customs (HMRC) for Income Tax. It will require self-employed individuals and landlords to keep digital records of their income and expenses and submit updates to HMRC on a quarterly basis, using compatible software.

## Who Does This Apply To?

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The MTD for Income Tax requirements will apply to:

- + Self-employed individuals and landlords with annual combined business or property income of more than £50,000 from **6 April 2026**.
- + Those with annual combined business or property income of more than £30,000 from 6 April 2027.
- + Those with annual combined business or property income of more than £20,000 from 6 April 2028.

Business partnerships will be excluded for now, but it is intended that MTD for IT will be rolled out to them in the future. HMRC have not yet issued guidance on when this will happen. HMRC have made the decision not to introduce MTD for Corporation Tax.

## What Do You Need To Do?

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To comply with MTD for Income Tax, you will need to:

### 1. Use Compatible Software

It is necessary to use software that is compatible with MTD. We can help guide you on this point, and if you are not able to maintain your own digital records, we may be able to implement a system using excel spreadsheets and 'bridging software' to comply with HMRC's requirements.

### 2. Keep Digital Records

You must maintain digital records of your income and expenses using MTD-compatible software. This software will allow you to record transactions and prepare your tax submissions.

### 3. Submit Quarterly Updates

From **6 April 2026**, you will need to send quarterly updates of your income and expenses to HMRC through the software. These updates will provide a summary of your business activity for the quarter and excludes any tax or accounting adjustments.

### 4. Submit a Final Declaration

At the end of the tax year, you will still need to make final adjustments, declare all sources of income and finalise your tax affairs by submitting a final declaration. This is similar to the current Self-Assessment process and will be done digitally. If we currently complete your tax return, this step will be carried out by us as usual.

## Keeping Digital Records

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A compatible software package is required to keep records digitally and to connect to HMRC systems to submit both quarterly updates and the final declaration.

If the digital records are kept in more than one place, and a number of software packages are used, they will need to be linked together to enable the transfer, recapture or modification of data to happen electronically between the programs.

## Quarterly Updates

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Quarterly updates will be required for standard quarters, irrespective of a business's accounting period.

#### The standard quarters are:

- + 6 April to 5 July
- + 6 July to 5 October
- + 6 October to 5 January
- + 6 January to 5 April

#### Businesses will be able to elect to report for calendar quarters:

- + 1 April to 30 June
- + 1 July to 30 September
- + 1 October to 31 December
- + 1 January to 31 March

The deadlines for quarterly updates will be 7 August, 7 November, 7 February and 7 May following the end of the relevant quarter.

Each business will be required to complete quarterly updates, and therefore, if you have more than one self-employment, or you are self-employed and have a property business, you will be required to make multiple submissions each quarter.

The quarterly updates will be cumulative year to date figures, and therefore, if an error is found in a previous quarter, this would be corrected within the subsequent quarter's submission.

## Final Declaration

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After the fourth quarterly update has been submitted, the year-end finalisation process can be completed. This consists of two steps:

1. Complete the tax and accounting adjustments on each MTD business and submit these to HMRC; and
2. Bring together all sources of income (MTD and non-MTD income) that will be submitted to HMRC in place of the current Self-Assessment tax return. The deadline for this submission will be 31 January following the tax year.

If we currently complete your self-assessment tax return, the final declaration will be completed by us, ensuring that you both comply with HMRC's rules and continue to be as tax efficient as possible.

## Q&A

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### **Q: How is your income calculated to determine whether you reach the mandatory threshold?**

**A:** The income will be the combined total of business sales/turnover and gross rents reported in the most recent tax return submitted before the implementation date. Therefore, to determine if you meet the threshold for mandatory submissions under MTD for IT from **6 April 2026**, we will need to look at the income declared in your 2024/25 tax return.

### **Q: How does this affect me if I am just starting out as a self-employed individual or landlord?**

**A:** You will not be required to enter MTD for IT until you have submitted a tax return. Once HMRC have received the first tax return, they will determine if your income is over the threshold to require registration for MTD for IT from the next tax year.

### **Q: If my income drops below the reporting threshold, can I leave MTD for IT?**

**A:** To avoid the possibility of taxpayers joining, exiting, and re-joining on a frequent basis as their turnover fluctuates, the requirements will cease to apply only when turnover/gross income falls below the threshold for three successive years or when the business ceases permanently.

### **Q: Are there any exemptions to MTD for IT?**

**A:** You may be exempt from MTD if:

- + It is not reasonably practical for you to use digital tools due to age, disability, or location (e.g. no internet access).
- + You are subject to insolvency procedures.
- + You have applied for and been granted an exemption by HMRC.

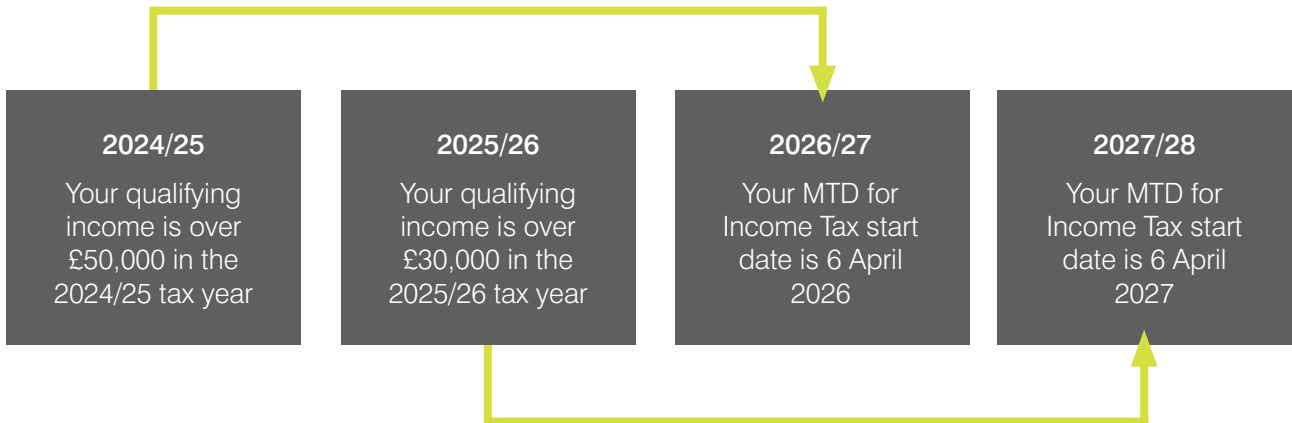
If you believe any of these apply, please speak with your usual **M+A Partners** contact.

### **Q: Will the due dates for paying tax change under MTD?**

**A:** No, the payment dates for tax will remain the same as under Self-Assessment.

# Making Tax Digital Roadmap

A reminder of what Making Tax Digital for Income Tax may mean for you and how to work out your start date.



Individuals with qualifying income of over £20,000 in 2026/27 will also need to comply with the rules from 6 April 2028.

## How We Can Help

We understand that these changes may seem daunting, but we are here to support you every step of the way. Our team can:

- + Help you choose and set up MTD-compatible software;
- + Provide training on how to use the software effectively;
- + Assist with submitting your quarterly updates and End-of-Period Statement; and
- + Ensure you remain compliant with HMRC's requirements.

Should you have any queries on the introduction of MTD for IT, or need help or advice on whether you will need to register and/or what software is available, then please either get in touch with your usual **M+A Partners** contact or email [enquiries@mapartners.co.uk](mailto:enquiries@mapartners.co.uk) and we will be happy to help.

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