

Making Tax Digital Major New Changes from 6 April 2026 for People with Self-employed income and/or rents of £50,000 or above

What is Making Tax Digital?

Making Tax Digital (MTD) is the government's initiative to implement a fully digital tax system in the UK.

The aim of the initiative is to make tax administration more efficient and easier for taxpayers through the implementation of a fully digital tax system.

Making Tax Digital for Income Tax Self-Assessment

Under MTD for Income Tax, instead of sending a Self-Assessment tax return to HMRC once a year, **business owners and landlords will be required to submit digital quarterly summary updates of their income and expenditure**, followed by a final declaration at the end of the year.

What does Making Tax Digital mean for the Self-Employed?

Landlords and Sole traders with a gross income before expenses above £50,000 need to have HMRC-recognised software in place **before 6 April 2026**. This is when the first phase of Making Tax Digital for Income Tax comes into effect. Those with income above £30,000 will be mandated from April 2027. And, those earning above £20,000 will be mandated from April 2028.

If you own multiple businesses, the gross income before expenses from all of them contributes to the £50,000 threshold.

You will need to start keeping digital records and use compatible software; paper records will no longer be accepted. From 6 April 2026, quarterly updates will need submitting to HMRC, as well as a Final Declaration that includes all other taxable income by 31 January every year.

From 6 April 2026, self-employed people and landlords with gross income before expenses above £50,000 will need to keep digital records of income and expenditure.

What are the MTD for Income Tax rules?

All self-employed business owners and landlord will need to:

- *keep records digitally, for Income Tax Self-Assessment (ITSA) purposes only, provide digital quarterly updates and provide ITSA return information to HMRC through MTD compatible software*
- *finalise the business's income in a declaration which confirms that the updates sent are correct, and make any accounting adjustments*
- *submit this final declaration to HMRC. This will replace the annual Self-Assessment tax return.*

Quarterly updates. These should include all business income and expenditure. Quarterly updates are cumulative, so you can include any corrections to past information throughout the year.

The standard quarterly periods in each tax year are:

- *6th April to 5th July*
- *6th July to 5th October*
- *6th October to 5th January*
- *6th January to 5th April*

Business owners and landlords can choose to submit updates that are based on calendar quarters instead of the standard quarterly periods. The calendar quarters are:

- *1st April to 30th June*
- *1st July to 30th September*
- *1st October to 31st December*
- *1st January to 31st March*

The deadlines for submitting quarterly updates are the same regardless of whether the business's updates are based on standard quarterly periods or on calendar quarters. These deadlines are:

- *5th August*
- *5th November*
- *5th February*
- *5th May*

The quarterly updates will give business owners and landlords a year-to-date calculation of how much tax they owe, based on the information provided in the summary.

Final Declaration. This is where you'll need to share details of all other taxable income. If you receive other income such as PAYE salary, dividends, pensions or investment income this will need to be declared and included in your final submission at the end of the tax year.

How do I calculate income?

All property and business income contributes to the £50,000 threshold. For example, if you're a freelancer earning £35,000 per year from your business, and £20,000 per year from property, you'll be above the threshold and will therefore need to comply with MTD for Income Tax.

If you have multiple businesses or sources of property income, you need to add up the income from all of them to work out whether you're above the threshold. The same will apply in 2027, when the income threshold for MTD for Income Tax is lowered to £30,000, and in 2028, when the threshold is lowered to £20,000.

The deadline for finalising tax affairs and paying Income Tax isn't changing. As with the current Self-Assessment system, business owners will need to do both by 31st January of the following tax year.

If you do not already keep digital records, we recommend you start to think about this process and ensure something is in place in time.

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