



# MAKING TAX DIGITAL FOR INCOME TAX: LESS THAN A YEAR REMAINING

If you are a sole trader or landlord with annual income exceeding £50,000, a significant change is approaching. From 6 April 2026, you may be required to maintain digital business records and submit quarterly updates to HM Revenue and Customs (HMRC) under the Making Tax Digital (MTD) for Income Tax initiative. This represents one of the most substantial changes to the Self Assessment system since its introduction, and it will require many individuals to alter the way they manage their accounts.

## What Is Changing?

**Under MTD for Income Tax, those affected will be required to:**

- Keep digital records using software that is compatible with MTD
- Submit quarterly updates to HMRC detailing income and expenses
- Complete a final end-of-year digital submission, which will replace the traditional Self Assessment tax return

MTD is intended to modernise the tax system by introducing more frequent digital reporting. While some businesses may benefit from improved financial organisation and fewer errors, this change also means moving away from the once-a-year tax return process that many are accustomed to.

## Potential Challenges Include:

- Increased administrative requirements, including four quarterly updates and an annual final declaration
- The need to purchase or subscribe to suitable accounting software if you do not already use one
- A possible learning curve for individuals unfamiliar with digital bookkeeping

For many sole traders and landlords, the most significant adjustment will be maintaining digital records throughout the year, rather than addressing tax matters once annually.

## What Happens Next?

The rollout of MTD is being introduced in phases:

- From April 2026: Sole traders and landlords with qualifying income over £50,000 must comply
- From April 2027: The income threshold will reduce to £30,000
- From April 2028: It will further decrease to £20,000

"Qualifying income" refers to the total gross income from self-employment and property, before any expenses or allowances are deducted.

HMRC is currently inviting businesses to join a voluntary testing programme. This offers an opportunity to become familiar with the system in advance, with no penalties for late quarterly updates during the trial period.

## How We Can Support You

Whether you require assistance in selecting suitable software, setting up digital records, or simply understanding the new requirements, we are here to support you. Every business is different—some may only need to make small changes, while others may need more extensive adjustments.

*If you would like to discuss how MTD will affect you or explore how best to prepare, please do not hesitate to contact us.*