MTD: DIGITAL RECORDS & QUARTERLY REPORTS

What you need to know

Updates are continuing to come through on HMRC's 'Making Tax Digital for Income Tax' ('MTD for IT') initiative. It will initially apply from 6 April 2026 for sole traders and property landlords who generated gross trade and rental income ('qualifying income') of more than £50,000 in the 2024/25 tax year.

The MTD for IT rules are mandatory and, if affected, you will be required to use 'MTD-compatible software' to maintain digital records and send a quarterly summary of your business and/or property income and expenses to HMRC, along with your end-of-year tax return.

In a welcome announcement, the government said that for individuals mandated into MTD for IT in 2026/27, penalties for late quarterly summaries will not be issued.

Besides the new property income tax rates detailed in the taxes on income section, another change affecting property is the introduction of a high value council tax surcharge, otherwise known as the 'mansion tax'. The surcharge will be in addition to existing council tax and will be applied to properties with a value over £2 million.

The mansion tax will range from £2,500 to £7,500 depending on the property's value. Properties will be valued before the introduction of the tax. The mansion tax is applied to the homeowner and not the council tax payer.

Both of these measures will mean an increase in costs for landlords, and therefore likely an increase in rents for tenants.

If you are a landlord or a tenant and are concerned about either of these increases, please do contact us to discuss your options.