

Making Tax Digital for Income Tax

MTD for Income Tax changes how sole traders and landlords keep records and report to HMRC. This factsheet explains who is caught, when, and how to get ready without the last-minute scramble.

Tax year **2025/26** · Reviewed by **Kiran Boparai** · Last reviewed **6 June 2026** · Sources: gov.uk

MTD INCOME THRESHOLD

£50,000 from Apr 2026

VAT THRESHOLD

£90,000

PROPERTY ALLOWANCE

£1,000

TRADING ALLOWANCE

£1,000

01 What MTD for Income Tax is

MTD ITSA requires you to keep digital records and send HMRC quarterly updates using compatible software, replacing the once-a-year shoebox of paperwork. It applies to self-employment and property income.

i MTD for VAT is already mandatory for VAT-registered businesses; Income Tax is the next phase.

02 Who is caught, and when

Whether you are caught depends on your combined gross self-employment and property income, with the threshold lowering over three years.

- From April 2026: gross income over £50,000
- From April 2027: gross income over £30,000
- From April 2028: gross income over £20,000
- Based on gross (turnover), not profit

03 What actually changes

Instead of a single annual tax return, you move to digital record-keeping plus regular reporting through the year. The mechanics are new but the underlying tax is the same.

- Keep digital records of income and expenses
- Send four quarterly updates to HMRC each year
- Submit a final declaration after the tax year ends

04 It does not replace your year-end

Quarterly updates are running summaries, not your final figures. Your year-end Self Assessment still happens through the final declaration, where reliefs and adjustments are applied.

i Quarterly updates are estimates in-year; your tax is finalised once, after the year ends.

05 Choosing software

You must use HMRC-compatible software to keep records and file updates; spreadsheets alone are not enough unless bridged. Pick a tool that fits how you work and links to your bank.

- Check HMRC's list of compatible software
- Look for bank feeds and a simple mobile app
- If you use a bookkeeper, match their software

06 How to prepare now

Moving to digital records early means MTD becomes a non-event rather than a deadline crisis. Low earners can still use the £1,000 trading and £1,000 property allowances, and VAT registration is a separate test at the £90,000 threshold.

i The businesses that suffer least are the ones already keeping clean digital records before their start date.

Common questions

Does MTD apply if my income is below the threshold?

Not initially. If your combined gross self-employment and property income is under the relevant threshold you are not mandated yet, though you can choose to join voluntarily.

Do I still file a Self Assessment return?

Your year-end obligation continues as a final declaration. The quarterly updates feed into it, but reliefs and final figures are confirmed after the tax year ends.

What if I have both a business and rental property?

You combine the gross income from both to test the threshold, and you report each source separately through your MTD software.

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