

Answering your Frequently Asked Questions on Making Tax Digital

Who must comply with MTD for ITSA?

Sole traders and landlords with total combined income from self-employment and/or property over the relevant threshold must comply with MTD for ITSA from:

- From April 2026 if their combined income exceeds £50,000
- From April 2027 if their combined income exceeds £30,000 or from April 2028 if their combined income exceeds £20,000

Combined income means the total gross income from all relevant self-employment and property rental sources. The thresholds will be applied against income for the 2024/25 tax year initially. Taxpayers who are not within MTD from 2026 will then need to apply the relevant threshold against subsequent tax returns to assess their MTD start date.

What do I need to do under MTD?

Under Making Tax Digital (MTD), you'll still be responsible for reporting your income and paying your tax — but how you do it is changing: You now need to:

- Keep Digital Records
- Submit Quarterly Updates
- File a Final End of Period Statement (EOPS)

Keep Digital Records

Instead of paper records or manual bookkeeping, you must keep your income and expenses in a digital format — either:

- In MTD-compatible software, or
- In a spreadsheet that connects to HMRC via bridging software

Previously, you might have:

- Written income/expenses in a notebook
- Stored receipts in a shoebox
- Typed totals into your Self-Assessment form once a year

Under MTD, that's no longer allowed. Your records must now be:

- Updated regularly (not just at year-end)
- Structured and stored digitally
- Linked to your MTD submissions

File a final End of Period Statement

At the end of the tax year, you'll:

- Confirm your income and expenses are accurate (EOPS)
- Make any necessary adjustments (capital allowances, reliefs, etc.)
- Submit a Final Declaration (this replaces your annual Self Assessment return)

Instead of preparing and submitting everything at once by 31 January, you'll:

Submit Quarterly Updates

You'll need to send a summary of your income and expenses to HMRC every three months.

Instead of one annual return, you'll now:

- Send 4 updates per year
- Each update includes a basic summary (no detailed tax calculations)
- Deadlines fall one month after the quarter ends (e.g. 5 August for the quarter ending 5 July)

You'll still be able to view and adjust these later at year-end.

- Be submitting little and often during the year
- Use software to track totals and prepare year-end summaries
- Still have to pay your tax by the usual deadlines

The tax rules haven't changed — but the way you record and report your information has.

Can I keep using spreadsheets?

Yes, but you, or your tax agent, must be able to connect the spreadsheet to bridging software that sends data digitally to HMRC for the quarterly updates.

What is Bridging Software?

Bridging software is a special tool that connects your spreadsheet to HMRC's systems. It "bridges the gap" between how you're currently working and what HMRC requires under MTD.

Instead of filling out your tax return manually or uploading numbers directly, the bridging software:

- Takes the figures from your spreadsheet (usually totals for income and expenses)
- Formats them in a way that HMRC can accept
- Sends them securely and digitally to HMRC's system

This means you're still keeping records in a spreadsheet — but the submission is done digitally, which is what MTD demands.

What if I already use accounting software?

If it's MTD-compliant, great. If not, we'll help you upgrade or bridge.

Are there penalties for missing deadlines?

Yes — HMRC will introduce a points-based penalty system. Repeated late submissions may lead to fines.

Will this replace the Self-Assessment tax return?

Yes — instead of one yearly return, you'll file four quarterly updates and a final declaration.

Will training and onboarding be available?

Absolutely. We offer full setup, software guidance, and tailored ongoing support.

When should I start preparing?

Now. Early preparation gives you more options and less stress.

I have multiple properties/income streams — what now?

We'll help consolidate your reporting to ensure it's accurate and fully compliant.

Are there any exemptions from MTD for Income Tax?

Yes. While most landlords and self-employed individuals will need to comply with MTD, certain exemptions apply. You will not be required to join MTD for Income Tax if:

- You are completing a tax return as a trustee or personal representative.
- You do not have a National Insurance number on 31 January before the start of the tax year (automatic exemption for that year).
- You are required to file an SA109 (residence/remittance basis pages) – in this case, you will not need to join MTD until April 2027 at the earliest, even if your qualifying income is above £50,000.
- You are a non-UK resident foreign entertainer (automatic exemption).
- It is not reasonably practicable for you to comply due to age, disability, location, or another valid reason (expected to apply to only a small number).