NDA Know-How

Making Tax Digital for Income Tax

Known as MTD, it is changes how some sole traders and landlords report to HMRC

Instead of keeping records until the end of the year, those affected need to keep digital records, send updates to HMRC throughout the year and complete their tax return using compatible software.

WHAT DOES MTD MEAN FOR YOU?

Under MTD you will need to:

1 KEEP DIGITAL RECORDS

Your self-employment and/or property income and expenses need to be recorded digitally using compatible software. You still need to keep your usual supporting documents, such as invoices and bank statements.

2 SEND QUARTERLY UPDATES

Every three months, information from your digital records is summarised and sent to HMRC. These are summaries of your income and expenses, not mini tax returns, and tax adjustments aren't required before each quarterly update.

3 COMPLETE YOUR TAX RETURN

After the tax year ends, you'll use compatible software to check your figures, make adjustments and add other income, gains or reliefs. **Your tax return must still be submitted to HMRC by 31 January following the end of the tax year.**

WHEN DOES MTD APPLY?

MTD for Income Tax is being introduced in stages:

from 6 April 2026

If you qualifying income is **over**

£50,000

from 6 April 2027

If you qualifying income is **over**

£30,000

from 6 April 2028

If you qualifying income is **over**

£20,000

The threshold is based on the qualifying income shown on your relevant previous tx return.

WHAT IS QUALIFYING INCOME?

This is your **total gross income** from self-employment and property rental, before expenses are deducted.

For example:

Sole trader turnover	£ 35,000
Gross property income	£ 18,000
Qualifying Income	**£ 53,000**

It is the combined £53,000 that matters for the MTD threshold, not the profit after expenses.

WHAT ABOUT OTHER INCOME?

Income such as PAYE employment, pensions and dividends does not count towards the qualifying income threshold.

However, other taxable income will still need to be included when you complete your tax return at the end of the tax year.

DO YOU HAVE MORE THAN ONE BUSINESS?

Each source is treated separately.

If you run more than one sole trader business, you'll need to maintain separate digital records and send separate quarterly updates for each business.

Property income is also a seperate business.

Talk to the NDA team

If you're unsure whether MTD applies to you, or you'd like help getting everything organised, we're here to help.

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