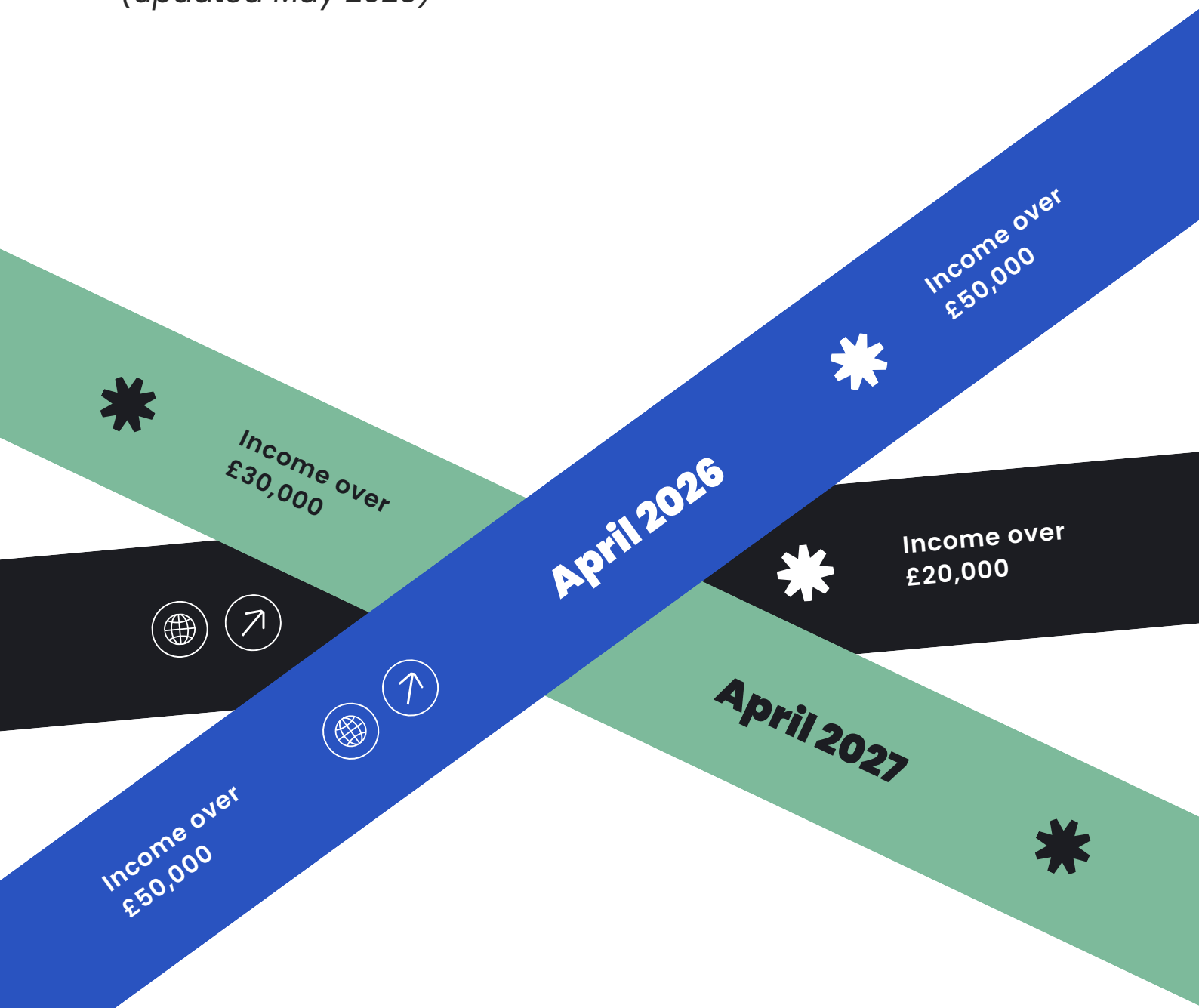


Making Tax Digital for **Income Tax**

The Ultimate Guide
(updated May 2025)



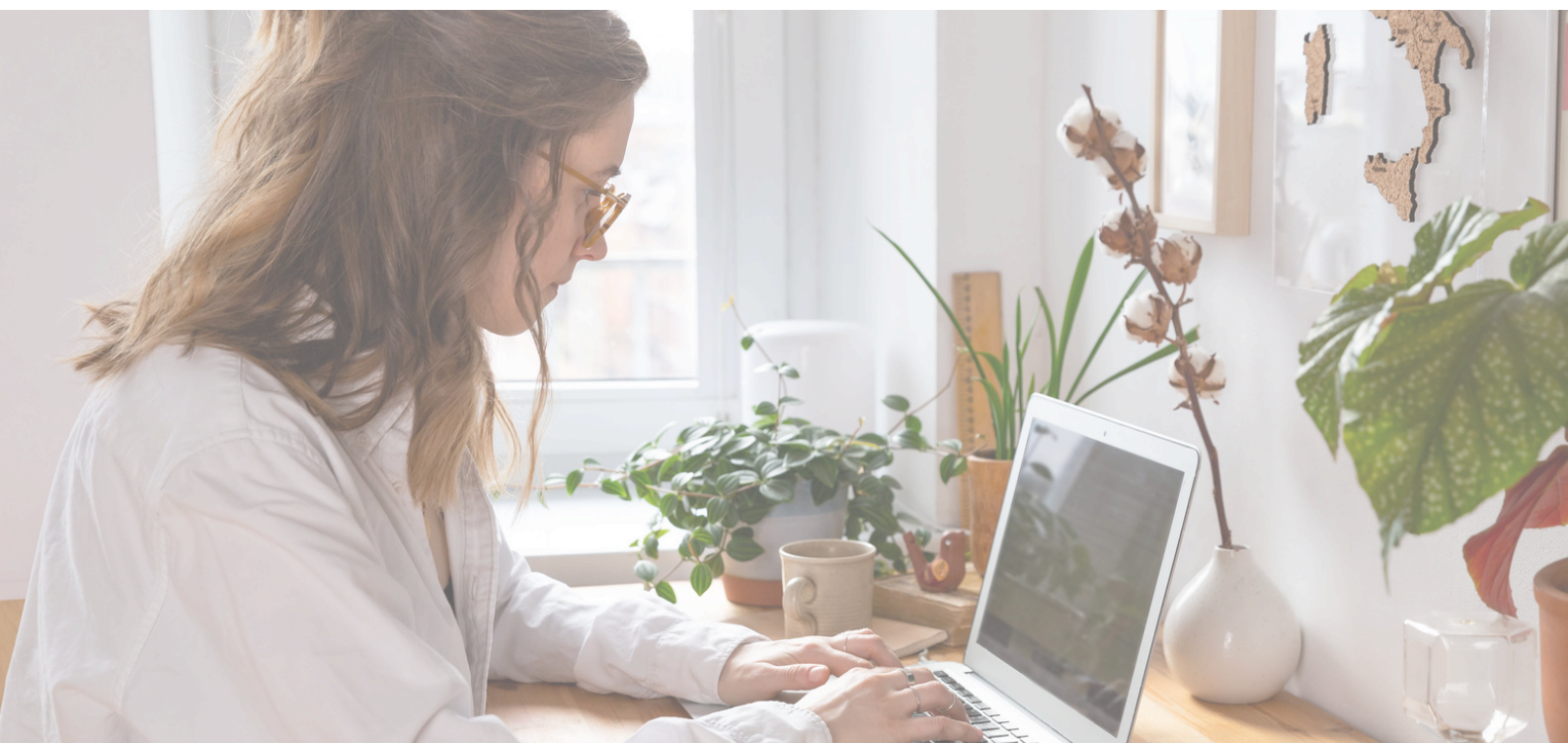
What is Making Tax Digital for Income Tax?


In a nutshell, Making Tax Digital for Income Tax is the transition from one tax return per year to five! Furthermore, all the tax returns will need to be filed using compatible software.

The net result... Taxpayers need to start using software to manage their business or property affairs, and do so more frequently.

Making Tax Digital for Income Tax has been a long time coming, originally pushed back from its original staging date of April 2024 due to delays as a result of Covid-19.

Taxpayers who will fall under the new rules should begin to make preparations now to avoid the stress (and potential penalties) of not getting it right when the time comes.



A middle-aged man with grey hair and glasses is sitting at a desk, talking on a mobile phone. He is looking down at some papers on the desk. In the background, there is a white bookshelf filled with books.

An estimated 780,000 taxpayers will be affected by Making Tax Digital in April 2026

MTD for Income Tax will impact a broad spectrum of taxpayers, including:

- Self-employed individuals: If you are self-employed or a sole trader, you will be required to make tax returns digitally.
- Landlords: Those who earn rental income from property will also need to comply with MTD.
- Partnerships: Partnerships that submit individual tax returns will also be included under this initiative.

The start date for MTD for Income Tax is April 2026, and once implemented, it will apply to all taxpayers whose income exceeds £50,000. The threshold will be reduced in future tax years.

April 2026



£50,000

For sole traders & landlords with income in excess of £50,000. MTD for IT will begin from April 2026

April 2027



£30,000

For sole traders & landlords with income in excess of £30,000. MTD for IT will begin from April 2026

April 2028



£20,000

For sole traders & landlords with income in excess of £20,000. MTD for IT will begin from April 2026



Keep Digital Records

You must maintain digital records of your income and expenses using HMRC-approved software. That means no more spreadsheets or paper receipts — everything needs to be logged in an MTD-compliant system.

Submit Quarterly Updates to HMRC

Instead of one annual Self Assessment tax return, you'll send quarterly updates to HMRC. These updates include a summary of your business income and expenses.

Submit an End-of-Period Statement

At the end of the tax year, you'll review the data you've submitted and finalise your figures.

Submit a Final Declaration

This is the last step — similar to today's tax return — and brings together all your income (including employment, dividends, pensions, etc.).

This tells HMRC how much tax you owe and must be submitted by 31 January following the end of the tax year, just like now.