

Making Tax Digital for Income Tax



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Making Tax Digital Income Tax

Making Tax Digital rules for Income Tax (or MTD Income Tax) affect the way businesses and landlords tell HMRC about their earnings.

Our short guide explains the new MTD rules for Income Tax reporting, and what they mean for you.

Making Tax Digital is a key part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs.





What is Making Tax Digital?

Making Tax Digital (MTD) is the government's plan to transform the way that we report and pay tax.

The first stage, [MTD for VAT](#), is already in place and all VAT-registered businesses must now keep digital records and use MTD software to submit VAT returns.



What is Making Tax Digital for Income Tax

MTD Income Tax is the next step in the Making Tax Digital schedule. For those who are eligible, it will gradually replace the existing system of Self Assessment.



Who is affected by MTD Income Tax?

From 6th April 2026 the new rules for MTD Income Tax will be compulsory for sole traders and landlords whose gross income from self-employment or property is over £50,000.

This threshold will reduce to £30,000 from April 2027, and £20,000 from April 2028.

Gross income is what you earn before deducting any expenses! This is not based on profit. If you have more than one sole trader business, or earn money from self-employment and from rental earnings, you'll need to include each source of income.



What will I need to do?

Those affected by the new rules will need to register for MTD Income Tax before 6th April 2026.

You won't be enrolled for MTD Income Tax automatically, even if you're eligible and already registered for Self Assessment or using MTD VAT.

Once you sign up, you **won't** need to submit a Self Assessment return.

Instead, you'll need to keep digital records, and submit updates to HMRC every quarter using MTD software.

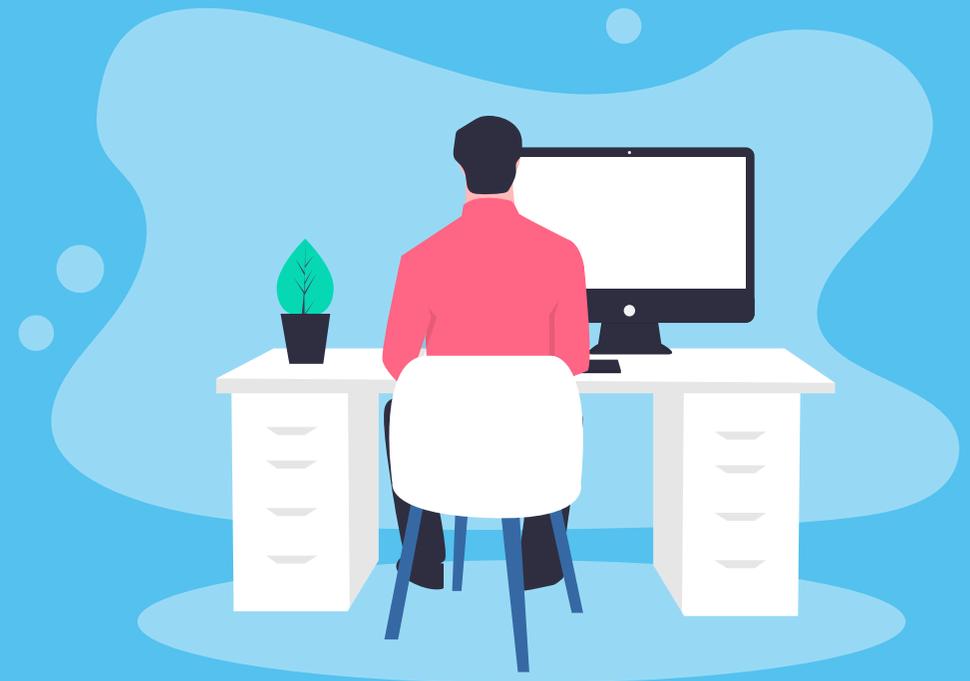
At the end of the tax year, you'll send an MTD Income Tax return which will include all of your income and expenses, as well as anything outside of your MTD quarterly updates (such as dividend income).



You must use MTD compliant software to send your quarterly updates and your MTD Income Tax Return.

The [payments on account](#) system still applies, so you might need to think about preparing to pay your bill, and for an additional payment on 31st July of the same year.

You must submit a separate quarterly update for each sole trader or property business.



Need more help with Making Tax Digital for Income Tax?

If you have any further questions simply call us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.

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