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The Changing Landscape of Making Tax Digital (MTD): What Landlords and the Self-Employed Need to Know



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The UK tax system is undergoing one of its most significant modernisations through the phased rollout of Making Tax Digital (MTD). Designed to streamline tax reporting, improve record-keeping accuracy, and encourage digital adoption, MTD represents a structural shift in how self-employed individuals and landlords will interact with HMRC. With implementation beginning from 6 April 2026, and thresholds dropping further in subsequent years, affected taxpayers must understand what is changing and how to prepare.

1. **Understanding MTD for Income Tax**

MTD for Income Tax Self-Assessment (ITSA) replaces the traditional annual tax return with **digital record-keeping, quarterly submissions** and a **final year-end declaration.** Rather than reporting figures once a year, taxpayers falling within the scope of MTD will need to maintain digital records throughout the year and upload cumulative updates using HMRC-compatible software.

2. **Who Will Be Affected - and When?**

MTD for ITSA applies broadly to self-employed individuals and landlords, including those with multiple properties and overseas property income. The rollout is based on a qualifying income, which combines:

- Rental income (including jointly owned property)
- Gross self-employed turnover
- Certain trust or investment-related income

The income thresholds are being introduced in phases:

- **From 6 April 2026** - taxpayers with over £50,000 in qualifying income
- **From 6 April 2027** - threshold reduces to £30,000
- **From 6 April 2028** - threshold reduces to £20,000

These thresholds are based on income reported on a prior tax return - meaning, for example, that someone exceeding £50,000 in 2024/25 must begin MTD reporting in April 2026.

3. **What MTD Requires in Practice**

Under the new rules, affected taxpayers must:

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Digital Record-Keeping

You must maintain digital records of income, expenses, and categorisation of transactions - whether for a single trade or multiple property businesses.

Quarterly Updates

For cumulative quarterly submissions must be filed each year. Deadlines fall just over a month after each period end. Common periods include:

- 6 April - 5 July = **due 7 August**
- 6 April - 5 October = **due 7 November**
- 6 April - 5 January = **due 7 February**
- 6 April - 5 April = **due 7 May**

Final Declaration

Replacing the annual Self-Assessment return, the "final declaration" consolidates all income sources and corrections, due each **31 January**.

Important: Payment deadlines DO NOT change

Taxes remain payable on:

- **31 January** following the tax year (balancing payment)
- **January & July** (payment on account)

4. **Exemptions and Digital Exclusion**

Some taxpayers will be exempt automatically - including trustees, non-UK residents (until 2027), ministers of religion (until 2029), and individuals without a National Insurance number. Others may apply for exemption due to digital exclusion, such as disabilities, age, or geographical barriers.

5. **Penalties: What Happens If You Don't Comply?**

With the introduction of quarterly requirements comes a new points-based penalty system:

- Each missed submission = one penalty point
- Reaching four points (for quarterly filers) = £200 fine
- Points only reset after a sustained period of compliance

Late payment penalties also apply:

- Payments late 16-30 days = 3% penalty

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- More than 30 days = 6% penalty, plus daily charges thereafter

Additionally:

- Failure to maintain adequate digital records can lead to fines up to £3,000
- Deliberate concealment of information = minimum £300 fine

6. **Preparing for MTD: What Taxpayers Should Do Now**

Although the full rollout spans several years, preparation is essential. Recommended steps include:

- Move to digital record-keeping immediately

Ensuring records are consistent and up to date will ease the transition once quarterly submissions begin.

- Choose approved MTD - compatible software

Some may use spreadsheets; others may need advanced bookkeeping platforms. HMRC publishes as approved software list.

- Review your income to identify your start date

This determines when your mandatory reporting begins.

- Test your reporting systems ahead of time

A trial run helps identify gaps before penalties apply.

7. **The Bigger Picture: A Modern Tax System**

MTD marks a major cultural and administrative shift for UK taxpayers.

For landlords and the self-employed, it requires a move toward year-round financial organisation rather than a once-a-year scramble.

While the change introduces more frequent reporting, its design ultimately aims to produce greater accuracy, reduce surprises at year-end, and integrate digital tools into everyday financial management. Starting early, adopting compatible software, and understanding obligations will ensure a smooth and penalty - free transition

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Get in Touch

If you're looking for support as you transition to digital record-keeping or begin preparing for quarterly updates, our tax specialists are ready to help you get everything in place ahead of the April 2026 deadline. For personalised guidance you can contact:

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