



Making Tax Digital for Income Tax

What does it mean for you?





Making Tax Digital for Income Tax will change the way millions of business owners and landlords report their earnings to HMRC. If you're wondering how this might affect you, here's a simple guide to the new rules.

Making Tax Digital: the story so far

Making Tax Digital (MTD) is a government initiative that sets out a bold vision for the UK to have "one of the most digitally advanced tax administrations in the world". It promises to "transform tax administration so that it is easier for taxpayers to get their tax right".

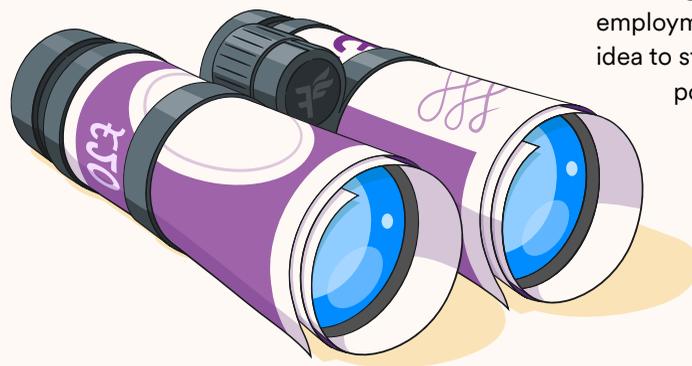
The first stage of Making Tax Digital, **MTD for VAT**, was introduced in 2019.

It requires owners of VAT-registered businesses with VATable sales above the VAT threshold (currently £90,000) to keep digital records and use MTD-compatible software to submit their VAT returns electronically. These rules were extended in April 2022 to include all VAT-registered businesses.

MTD for Income Tax, previously referred to as **MTD for Income Tax Self Assessment**, is the second stage of Making Tax Digital. It will replace the current system of annual Self Assessment tax returns. MTD for Income Tax will come into effect in April 2026 for self-employed individuals and landlords with qualifying income of more than £50,000 a year.

What is changing under MTD for Income Tax?

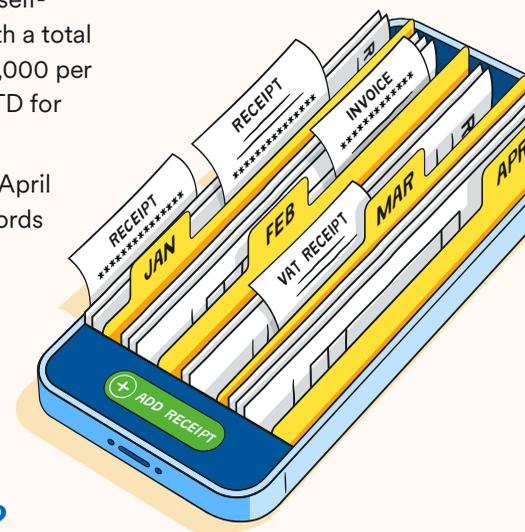
The most significant change under the MTD for Income Tax rules is that instead of sending a Self Assessment tax return to HMRC once a year, those affected will have to submit four **quarterly updates** about their business income and expenses. At the end of the tax year, they will also have to send a final declaration.



Who will MTD for Income Tax affect?

Initially, MTD for Income Tax will only affect self-employed business owners and landlords with a total business and/or property income above £50,000 per year. These individuals will have to follow MTD for Income Tax rules from 6th April 2026.

MTD for Income Tax will come into effect in April 2027 for self-employed individuals and landlords with a qualifying income of more than £30,000, and by the end of the parliament (2029 at the latest) for those with qualifying income over £20,000 a year.



What will I have to do under the new rules?

If you're a self-employed business owner and/or landlord and you're affected by MTD for Income Tax, you'll have to take the following actions from 6th April 2026:

1. Keep digital records

Under MTD for Income Tax, you'll need to **keep digital records** of all your business income and expenses, including all your income from self-employment or property. It's a good idea to start doing this as soon as possible so that you have plenty of time to prepare.

You can keep digital records using accounting software such as **FreeAgent**. You can pull your bank transactions directly into FreeAgent by setting up a bank feed, and the software offers powerful tools to manage all of your invoices, expenses, projects and more.

2. Send quarterly updates

Once you're signed up to MTD for Income Tax, **you'll need to send a summary of your business income and expenses to HMRC every three months** using MTD-compatible software. FreeAgent is working with HMRC to ensure that our software will support MTD for Income Tax submissions ahead of the expansion of the pilot scheme.

The deadlines for submitting quarterly updates will be the same for everyone who has to follow the MTD for Income Tax rules. From the start of the tax year on 6th April, these deadlines are:

- **7th August**
- **7th November**
- **7th February**
- **7th May**

How do I sign up to MTD for Income Tax?

A pilot scheme has been running since 2018, and certain eligible businesses and landlords can already choose to sign up and follow the rules voluntarily.

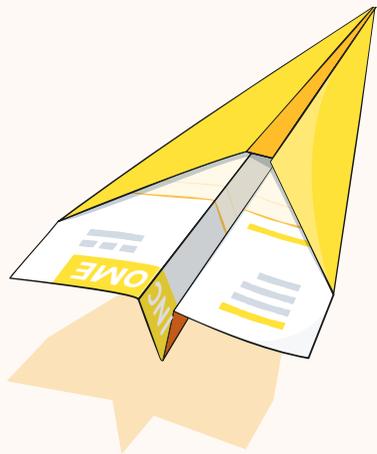
If your accountant or bookkeeper is signing up on your behalf, HMRC has outlined a separate process for them to follow.

The information in this guide is based on published HMRC guidance as of November 2024.

3. Finalise your business income

At the end of the tax year, **you'll need to finalise your Income Tax position and submit a final declaration** that replaces the current Self Assessment tax return.

This process lets you confirm that the updates you've sent are correct, add any details about other taxable income or reliefs or make any other necessary adjustments. As with the current Self Assessment process, you'll have to submit the final declaration and pay the tax you owe by 31st January of the following tax year.



How can I learn more?

To find out more about MTD for Income Tax and how it will affect you, please speak to your accountant or bookkeeper.

[freeagent.com](https://www.freeagent.com)