



MAKING TAX DIGITAL

April 2025

From 6 April 2026 HMRC are changing the way in which income and expenses will be reported by certain self-employed individuals and landlords, with the introduction of Making Tax Digital (MTD) for Income Tax Self-Assessment.

HMRC are currently reviewing all submitted 2023/24 Self-Assessment tax returns to establish which taxpayers may need to report under the MTD regime from 6 April 2026 onwards. As part of this initial review, HMRC intend to issue a preliminary mailshot in Spring/Summer 2025 to affected taxpayers.

The Scope of MTD For Income Tax

Individuals will be within the scope of MTD if their qualifying income (gross income before expenses) from their trade and/or property rental businesses combined is as follows:

- Over £50,000 from the 2026/27 tax year (e.g. gross income of £25,000 from rental and £26,000 from self-employment).
- Over £30,000, from the 2027/28 tax year.
- Over £20,000 from the 2028/29 tax year.

Although HMRC are initially reviewing the 2023/24 tax returns to identify affected taxpayers, it will be the 2024/25 UK tax returns that determine who will need to join MTD from April 2026, and the 2025/26 UK tax returns will be used to assess who will need to join from April 2027. Where a taxpayer is included within MTD, they will be removed from the requirement to submit a traditional self-assessment tax return, so the reporting of other taxable items will be made through the MTD filings. HMRC will not automatically register taxpayers who are within the scope of MTD, instead taxpayers whose income meets the relevant threshold will need to sign up to use MTD in much the same way as previously for Self-Assessment.

There is no requirement to immediately use MTD when starting a new business. For example, where a self-employment business is set up in June 2026 with the first reporting on the 2026/27 tax return, then provided the threshold income conditions are met, joining MTD would not be a requirement until the 2028/29 tax year, unless any other qualifying businesses for the taxpayer already exist.

It is possible for individuals to join the MTD regime on a voluntary basis if the threshold conditions are not met.

MTD Requirements

MTD will have three key components:

- Digital records - individuals will need to keep digital records of income and expenses for their self-employment and property rental businesses, which can be kept either in software compatible with MTD or on spreadsheets which will require submission with the quarterly updates - see below.
- Quarterly updates - taxpayers will need to submit a summary of their income and expenses for each quarter from their digital records, there is no requirement to include accounting or tax adjustments at this point. The quarterly updates will operate cumulatively; therefore, any adjustments can be attended to in the following quarter. A separate quarterly update will be needed for each trade, property business and non-UK property business, therefore a sole trader renting out two UK properties would have eight quarterly submissions to make each year, four quarterly updates for the trade and four quarterly updates for the UK property business. The submission deadlines for the quarterly returns of the 2026/27 tax year are:

- 7 August 2026 (period from 6 April to 5 July 2026)
- 7 November 2026 (period from 6 April to 5 October 2026)

TAX
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- 7 February 2027 (period from 6 April 2026 to 5 January 2027)
- 7 May 2027 (6 April 2026 to 5 April 2027)

Alternatively, it is possible to elect for the reporting periods to align with a month end (i.e. 1 April to 30 June, 30 September, 31 December and 31 March), although the submission deadlines will remain unchanged.

- Year-end declaration – Following the submission of the fourth quarterly update, a ‘digital tax return’ will need to be submitted, similar to the Self-Assessment return, although the digital return will already be pre-populated with the information from the quarterly updates previously submitted. Those entries will need to be adjusted for accounting and tax purposes. Non-MTD sources of income, will also need to be reported or may already be pre-populated from the information held by HMRC, e.g. bank interest and employment income. Other income sources, capital gains and tax reliefs will also need to be included. The filing deadline for the year-end return will be 31 January following the end of the tax year (i.e. the same as the existing Self-Assessment filing deadline), for the 2026/27 tax year this will be 31 January 2028. This will replace the need to file a traditional Self-Assessment tax return.

The tax payment dates will also remain the same as under Self-Assessment, with payments on account expected to continue.

Qualifying Income

The following forms of remuneration will count towards a taxpayer’s qualifying income:

- Self-Employment income.
- UK rental income.
- Foreign rental income.
- An individual’s share of joint property income.
- Any trading or rental income a beneficiary of a trust is entitled to.
- Disguised investment management fees or income based carried interest; these sources will be treated as the profits of a deemed trade.
- For non-UK resident individuals, only UK source income would need to be declared, e.g. UK property or self-employment income.

Who is outside of MTD

Those not included within MTD, under the present proposals, are as follows:

- Members of partnerships and LLPs, although they will need to comply if self-employment or rental income is held outside of the partnership.
- Trustees and personal representatives.
- Non-Resident companies.
- Non-UK resident foreign entertainers and sportspeople who have no other qualifying income sources.
- Individuals who do not have a National Insurance number on 31 January prior to the start of the tax year.
- Individuals who receive either the Married Couples’ Allowance or the Blind Persons’ Allowance.
- Individuals subject to an insolvency procedure.
- Individuals who have a Power of Attorney.
- Lloyd’s Underwriters.

Individuals who are required to complete the residence pages of a Self-Assessment tax return will not be required to use MTD until April 2027.

Finalising the Policy Framework for MTD

HMRC continue to identify further changes to the design of MTD and will engage individuals on any changes before legislation is introduced before April 2026.

Testing Phase

HMRC are running a MTD testing phase for those individuals who presently meet the conditions, and tax agents and clients will have the opportunity to test and develop the service prior to sign up in April 2026. This is entirely voluntary and has been put in place in order to familiarise both clients and tax agents with the new way of reporting income and expenses prior to this becoming compulsory.

Please contact your usual Rawlinson & Hunter contact if you have any queries in relation to the matters raised in this briefing.

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