

Making Tax Digital for Income Tax (MTD for IT)

Purpose

Making Tax Digital is a government initiative requiring individuals and businesses to keep digital records and submit tax information online. It aims to modernise the tax system, improve accuracy, and reduce errors.

Who is affected

- ❑ Self-employed individuals and landlords with 'qualifying income' above set thresholds (see below).
- ❑ Qualifying income is the aggregate income or turnover (not profit) for any self-employments and UK or foreign property rentals an individual is entitled to.

Key requirements

- ❑ Digital record-keeping: All transactions must be recorded in compatible software.
- ❑ Quarterly submissions: Income and expenses reported every three months, based on calendar quarters.
- ❑ Final declaration: Annual confirmation of total income and tax due. This effectively replaces an individual's self-assessment tax return.

Implementation timeline – when individuals need to start complying with MTD for IT

- ❑ April 2026 → Qualifying income in the 2024/25 tax year over £50,000.
- ❑ April 2027 → Qualifying income in the 2025/26 tax year over £30,000.
- ❑ April 2028 → Qualifying income in the 2026/27 tax year over £20,000.

Exemptions

- ❑ Possible for those who are digitally excluded due to age, disability, religion, or location.

Penalties

- ❑ Non-compliance will result in financial penalties, using a points-based system for late submissions.

Start preparing now

- ❑ Register with HMRC and confirm agent access if using an advisor, such as HWB.
- ❑ Ensure accounting software is MTD-compatible – this can include 'bridging software'.
- ❑ Adopt quarterly reporting habits early.
- ❑ Seek training or professional support if needed.

You can read more about HMRC's MTD for IT initiative by heading to www.gov.uk and searching 'Making Tax Digital for Income Tax'.

This document has been prepared for information purposes and does not constitute advice. All information deemed correct as at November 2025