



Making Tax Digital for Income Tax

After significant delays, HM Revenue & Customs are finally ready to introduce 'Making Tax Digital' (MTD) for Income Tax, which will impact sole-trader businesses and those with rental income.

This follows the successful rollout of MTD for VAT from 2019. Trading partnerships are not currently in the scope of MTD, however this is likely to be brought within the scope of MTD reporting in the future, along with Company Taxation. MTD for income tax begins from April 2026 and will require that impacted individuals retain digital records and submit income and expenditure details from these records electronically quarterly to the tax office. In addition to the 4 quarterly declarations there will be a final update that will be due by the normal self-assessment deadline date of 31 January following the end of the tax year.

Individuals Subject to MTD

Not all sole trader businesses and individuals with rental income will be subject to reporting their income and expenses under MTD. The combined turnover of sole-trader and rental income for entry into MTD is reducing, and will impact you as follows:

- From April 2026 the turnover limit is £50,000
- From April 2027 the turnover limit is £30,000
- From April 2028 the turnover limit is £20,000

HMRC will not automatically register individuals for MTD, however as agents we can register individuals on their behalf!

Quarterly Declarations

The quarterly declarations are a cumulative summary of income and expenses, made from digital records. Any adjustments required will be made on the year end declaration. If you have both sole trader and rental income then separate declarations will be made for each source of income, and each type of sole trader income. These quarters are:

Start Date	End Date	Filing Due Date
6 April	5 July	7 August
6 July	5 October	7 November
6 October	5 January	7 February
6 January	5 April	7 May

Individuals can elect to make a 'calendar quarters election', this would result in the first quarter running from 1 April to 30 June. The filing deadline will not change and remains at 7 August.

Choosing the right software package for you

HMRC have provided a list of software which has been approved for MTD for income tax this can be found at: [Find software that works with Making Tax Digital for Income Tax - GOV.UK](#). If you currently do not use software for your record keeping or the one that you are currently using is not on this list you may need to consider your options from April 2026, which a member of our Making Tax Digital team would be more than happy to discuss with you.

Bank account

Having a separate bank account for your sole trade or rental property business can be very useful when providing details for the quarterly declarations. As the bank account itself will form part of your overall digital records, if you use a private bank account then all your personal transactions will need to be reviewed and categorised and would be sent to the tax office for interrogation by their computer systems. If you wish to discuss this further, then please do not hesitate to contact our MTD team.

Reviewing your income

As mentioned above, the first tier of individuals coming into MTD are those with a turnover of over £50,000. Turnover is the gross income of the business before your expenses are deducted, rather than the profit that you pay tax on. We will be reviewing previous tax returns to see who may be impacted by MTD first and will be contacting you further as we get closer to the deadline.

Please do not hesitate to contact us at MTD@ryans-uk.com should you have any queries.

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