

Making Tax Digital

Frequently Asked Questions

If you meet the criteria for Making Tax Digital (MTD) you will be required to keep digital records and file quarterly updates to HMRC using approved software. We have a range of services to help you meet your obligations.

What is MTD?

MTD is HMRC's vision to modernise the UK tax system by introducing quarterly returns and digital record keeping to reduce errors, improve efficiency and streamline the process more generally.

Who needs to follow MTD rules from April 2026?

From 6 April 2026, MTD becomes mandatory for sole traders and landlords with qualifying income over £50,000. From April 2027, this threshold lowers to include those with qualifying income over £30,000 and from April 2028 the threshold reduces again to £20,000.

What counts as qualifying income?

Qualifying income is the total gross income before expenses arising in a tax year from self-employment and property income. In addition to this the following will also count as qualifying income:

For private equity executives – Disguised Investment Management Fees and/or Income based carry will count as qualifying income. Additionally, with the proposed changes to the treatment of carry, it is not yet known if carry payments will also count as qualifying income.

For beneficiaries – Beneficiaries of bare trusts and interest in possession trusts will need to include any property or trading income that they are entitled to or are paid directly (in the case of interest in possession trusts).

It is important to clarify that the requirement is determined by gross income rather than profits, and is assessed before any deductions are applied.

How will qualifying income be assessed?

Qualifying income will be assessed based on the last submitted tax return.

For example, to assess the qualifying income for the 2026/27 tax year, the 2024/25 tax return (i.e., the return which was due for submission by 31 January 2026) will be used. HMRC will review the return and let the taxpayer know when they must start using Making Tax Digital for Income Tax.

If you let properties jointly, you are only assessed on your share of the income. i.e. if a joint rental property had £52,000 of gross income, your share would only be £26,000.

Do I still need to fill in a Self-Assessment tax return?

You will have to complete a Self-Assessment tax return for 2025/26 which will be due for filing by 31 January 2027 in the usual way. If you meet the criteria for MTD from 6 April 2026, you will file your quarterly returns and then a final declaration which will capture the total self-employment and/or rental income for the year together with any other income and gains for 2026/27. This will be due for filing by 31 January 2028.

What do I need to do under MTD?

You must keep digital records, use HMRC approved software, and submit quarterly updates.

Can I still use spreadsheets?

Yes, but you will need to use HMRC-approved bridging software to make submissions to HMRC.

When are quarterly updates due?

Quarterly updates are due on the 7th of the month after each quarter end. For example, the first quarterly submission covering the period 6 April to 5 July 2026 will be due on 7 August 2026.

My self-employment accounts have an accounts period ending 31 March. Can I treat quarters to month end, or does it need to be the 5th of a month?

The default is to cover the periods from 6 April to 5 July, then subsequently on that basis to 5 October, 5 January, and 5 April. However, a calendar update periods election is possible, so periods covered begin 1 April to 30 June and then onwards to 30 September, 31 December and 31 March. You should note though that once you have chosen, you cannot change to calendar update periods partway through a tax year.

Will my tax payment deadlines change?

No, there are no changes to the tax payment deadlines, and these remain 31 January and 31 July (where applicable).

What happens if I don't comply?

A points-based penalty system applies for late or missing submissions. Please see our summary on the new penalty and interest regime here: [MTD Hub](#). Please note that HMRC have confirmed that no penalties/points will be levied in the first year of MTD being operated to allow taxpayers to adjust to the new system.

Are there any exclusions from MTD?

Yes, there are some exclusions as follows:

- **Partnerships** - HMRC have confirmed that partnerships are not currently within the scope of MTD but are likely to be included in the future
- **Individuals who are required to complete residence pages (SA109) and trust and estate income pages (SA107)** will be granted an automatic one year deferral from MTD
- **Certain groups including those with power of attorney, executors, some foreign entertainers, as well as individuals who do not have a National Insurance Number.** Individuals with digital services limitations are exempt but this will require a written request being sent to HMRC

Can Blick Rothenberg manage MTD for me?

Yes, we offer the following solutions to assist with your MTD obligations:

	MTD Basic	MTD Advance
Process all MTD quarterly transactions on your behalf	X	✓
Review and submit your quarterly transaction data to HMRC on your behalf	✓	✓
Access to Xero software as your HMRC approved software	✓	✓
Access to Online Xero software training tailored to MTD	✓	✓
One-to-one Xero training	Optional	

If your circumstances have changed such that you no longer fall within MTD, please let us know.



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