UK BUSINESS GUIDE · 2026 EDITION

Making Tax Digital for Income Tax

The 2026 Readiness Guide for UK Sole Traders & Landlords

Are you in scope? By when? And exactly what to do this year. A practical, step-by-step guide to the biggest change to self-employed tax reporting in a generation — now live from 6 April 2026.

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VERIFIED AGAINST

HMRC · GOV.UK · LITRG

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INSIDE THIS GUIDE

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Who this guide is for

This guide is written for people who report income through Self Assessment — and who want a clear answer to a simple question: **does this affect me, and what do I do now?**

MOST AFFECTED

Sole traders & freelancers

Self-employed individuals with business turnover above the threshold.

MOST AFFECTED

Landlords

Anyone receiving UK or overseas property rental income.

NOT IN SCOPE

Limited companies

Company profits are unaffected — see page 6 for why.

A NOTE ON ACCURACY

Every figure, threshold and date in this guide has been checked against HMRC and GOV.UK guidance current in 2026. Tax rules change; always confirm your own position before acting, or speak to your accountant.

SECTION 01

What Making Tax Digital actually is

Making Tax Digital for Income Tax (often shortened to **MTD for IT** or MTD ITSA) is the end of the once-a-year tax return for many self-employed people and landlords. In its place comes **digital record-keeping and quarterly reporting** to HMRC throughout the year.

It is not a new tax, and it does not change how much you owe. What changes is the rhythm of how you record and report your income — moving from a single annual catch-up to a steady, quarterly habit using HMRC-recognised software.

The shift in three points

1

Digital records

Keep your income and expenses in compatible software — the spreadsheet-and-shoebox approach no longer meets the rules.

2

Quarterly updates

Send a summary of income and expenses to HMRC every three months — four updates per business, per year.

3

Final declaration

Confirm your figures and finalise the year after 5 April, replacing the old Self Assessment return.

From annual return to quarterly cycle

THE OLD WAY

1 annual return

filed by 31 Jan

→

UNDER MAKING TAX DIGITAL

Q1	Q2	Q3	Q4	Final
update	update	update	update	declaration

Why the government is doing this

HMRC's stated aim is to reduce errors and close part of the tax gap by bringing record-keeping closer to real time. For business owners, the trade-off is more frequent admin in exchange for a clearer, running view of what you owe — and no year-end scramble. Whether that feels like a burden or a benefit largely comes down to **how prepared you are**. That is what the rest of this guide is for.

THE HEADLINE YOU NEED

MTD for Income Tax is **already live from 6 April 2026** for sole traders and landlords with qualifying income over **£50,000**. This is no longer a future warning — for many, the obligation has already begun. Turn to the next page to check whether it applies to you.

SECTION 02

Am I in scope? A 60-second decision tree

Work down the questions. The test is based on the figures in your most recent Self Assessment tax return — not a guess about the future.

Q1 Do you have income from **self-employment** or **UK / overseas property**?

YES ↓ continue to Q2

NO — MTD does not apply. Carry on with Self Assessment as normal.

Q2 Add your **gross** self-employment + property income together. Is the total over the threshold for the year being tested?

Use **turnover (sales / rents received)**, not profit. Combine both sources — see page 6.

Q3 Which threshold band does your total fall into?

Over £50k
In scope from **6 Apr 2026** — this is happening now.

£30k–£50k
In scope from **6 Apr 2027** — prepare this year.

£20k–£30k
In scope from **6 Apr 2028**.

£20,000 or less: not currently mandated. The government is still reviewing how to treat this group.

WATCH THE WORDING — "QUALIFYING INCOME"

The threshold test uses **gross income** (your total turnover before expenses), and it **combines** self-employment and property. Many people wrongly check their profit and assume they are exempt. If your sales and rents **together** exceed the threshold, you are in — even if neither source crosses it alone.

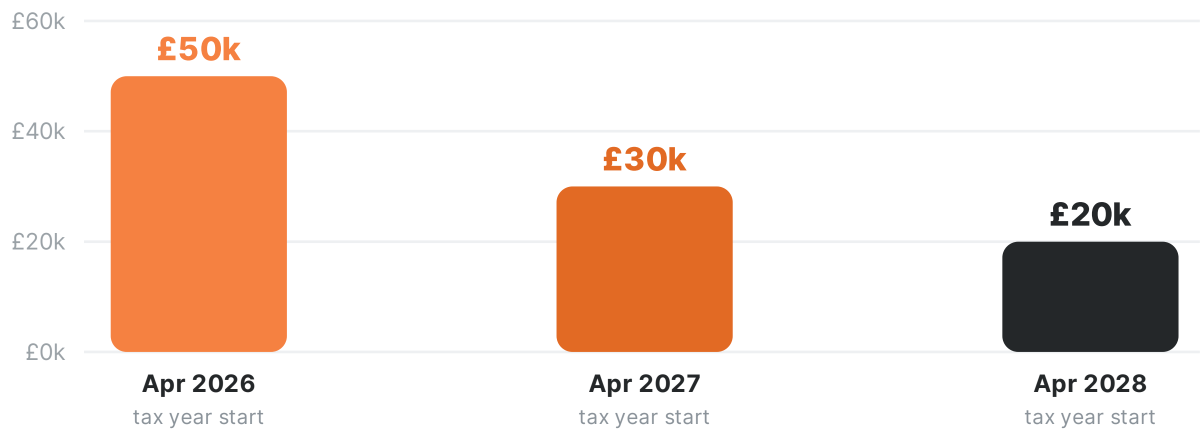
SECTION 03

The threshold timeline: 2026 to 2028

MTD for Income Tax is being introduced in stages. Each April, the qualifying-income threshold drops — pulling more sole traders and landlords into the rules.

Qualifying-income threshold by mandation date

The bar falls each year — a lower threshold means more people in scope.



Source: HMRC / GOV.UK — "Find out if and when you need to use Making Tax Digital for Income Tax". £20,000 threshold confirmed at Spring Statement 2025.

What each stage means for you

From	Who is mandated	Qualifying income	Act by
6 Apr 2026	Sole traders & landlords, highest earners first	Over **£50,000**	Now — already live
6 Apr 2027	The next band of self-employed & landlords	Over **£30,000**	Prepare during 2026/27
6 Apr 2028	Lower-income self-employed & landlords	Over **£20,000**	Prepare during 2027/28
TBC	Partnerships	Timeline not yet set by HMRC	Watch for updates

How HMRC decides your start date

Your mandation date is set by a **"look-back"** at the income on your latest return. For April 2026 that means your **2024/25** figures (the return due by 31 January 2026). HMRC writes to those it identifies — but the legal duty to check sits with you, letter or not.

IMPORTANT

Once in, you stay in

If your income later dips below the threshold, you generally remain within MTD for at least **three consecutive tax years**. Treat joining as a lasting change to how you work, not a one-off.

EVEN IF 2027 OR 2028 IS YOUR YEAR

The businesses that find MTD easiest moved to digital records **before** they had to — so if you are in a later band, prepare during 2026/27, ahead of your deadline.

SECTION 04

What counts as "qualifying income"

This is the single most misunderstood part of the rules — and the one that catches people out. Get it right and you will know exactly where you stand.

✓ Counts towards the threshold

- Gross **self-employment** income (sole trader turnover)
- Gross **UK property** rental income
- Gross **overseas property** income

✕ Does not count

- Employment wages taxed under **PAYE**
- **Dividends** from shares
- **Interest** on savings
- **Pension** income

THE GOLDEN RULE

It is **gross, not net**. HMRC looks at your turnover — total sales and rents **before** deducting expenses. A landlord's mortgage interest and a trader's costs do not reduce the figure used for this test.

Three worked examples

Priya — freelance designer

Design turnover	£58,000
Business expenses	£19,000 · ignored
PAYE side job	£12,000 · ignored
Qualifying income	**£58,000**

In scope from Apr 2026 — turnover alone exceeds £50k.

Tom — designer + landlord

Freelance turnover	£45,000
Rental income	£6,000
Savings interest	£900 · ignored
Qualifying income	**£51,000**

In scope from Apr 2026 — combined sources cross £50k.

Sara — part-time landlord

Rental income	£14,000
PAYE salary	£41,000 · ignored
Dividends	£3,000 · ignored
Qualifying income	**£14,000**

Not yet mandated — only property income counts here.

Two businesses? Combine, then report separately

You **add all sources together** for the threshold test. But once in MTD, you keep **separate digital records** and send **separate quarterly updates** for each trade and for property.

GOOD NEWS FOR COMPANIES

Limited companies are not affected

MTD for Income Tax applies to **personal** income only. Company profits are reported through Corporation Tax, and MTD for Corporation Tax is **not proceeding**. If you trade through a limited company, your filing is unchanged.

Verified against HMRC / GOV.UK and Low Incomes Tax Reform Group (LITRG) guidance, 2026.

SECTION 05

What MTD requires you to do

Three obligations replace the single annual return. None is difficult on its own — the change is doing them **through the year**, in software, rather than all at once.

1. **Keep digital records**
   Record each item of business income and expense **digitally**, using HMRC-recognised software or a bridging tool linked to a spreadsheet. Paper ledgers and standalone spreadsheets no longer satisfy the rules on their own.

2. **Send quarterly updates**
   Every three months, submit a running total of income and expenses for each business and for property. These are **cumulative summaries**, not full tax calculations — HMRC simply builds a year-to-date picture. You will send **four updates per business, per year**.

3. **Submit a final declaration**
   After the tax year ends on 5 April, finalise your figures, add any other income (such as dividends or interest), claim allowances and reliefs, and confirm everything is correct. This **replaces the Self Assessment return** and is where your final tax position is calculated.

The yearly cycle at a glance

Q1	Q2	Q3	Q4	Finalise
records & update	update	update	update	declaration

WHAT A QUARTERLY UPDATE IS NOT

It is not a mini tax bill and not a payment date. You are sending **summary figures**, not paying tax four times a year. Your payment dates do not change for now.

Digital links matter

Data must flow **digitally** from record to submission — no manual retyping of totals into a separate box. Good software handles this automatically; if you use spreadsheets, you will need **bridging software** to connect them to HMRC.

Not sure which of these your current setup already covers? Aksons' MTD compliance service is built to handle all three steps for you — see the checklist on page 11 and the call to action on page 12.

SECTION 06

Your quarterly deadline calendar

Quarterly updates follow standard periods. The deadline falls **one month and seven days** after each quarter ends — a rhythm worth committing to memory.

Quarter	Period covered	Update deadline
Quarter 1	6 April – 5 July	**7 August**
Quarter 2	6 July – 5 October	**7 November**
Quarter 3	6 October – 5 January	**7 February**
Quarter 4	6 January – 5 April	**7 May**

Calendar-quarter option: software can let you elect periods aligned to calendar months (ending 30 Jun, 30 Sep, 31 Dec, 31 Mar) instead. The deadlines stay the same — the 7th of the second month after each quarter.

The two dates that still matter most

31 Jan

Final declaration & balancing payment

For 2026/27, finalise and pay any balance by **31 January 2028**. The familiar Self Assessment payment date is unchanged.

31 Jul

Second payment on account

If you make payments on account, the July instalment continues as before. MTD changes reporting, not the payment timetable.

A worked year — 2026/27 at a glance

Q1 DUE	Q2 DUE	Q3 DUE	Q4 DUE	FINALISE
7 Aug	**7 Nov**	**7 Feb**	**7 May**	**31 Jan**
2026	2026	2027	2027	2028

BUILD THE HABIT NOW

Set a recurring reminder for the **7th of August, November, February and May**. Reconciling little and often — ideally monthly — turns each quarterly update into a five-minute confirmation rather than a frantic catch-up.

SECTION 07

Choosing compatible software

MTD only works through software that connects to HMRC. The right choice depends on how you work today — not on the longest feature list. Here is a neutral way to decide.

Two routes, depending on your starting point

ROUTE A

All-in-one accounting software

Records, bank feeds, invoicing and MTD submission in one place. Best if you want a single tidy system and don't already rely on spreadsheets.

- Bank connection for automatic transactions
- Built-in quarterly submission
- Invoicing and expense capture

ROUTE B

Spreadsheet + bridging software

Keep your existing spreadsheet and add a bridging tool that sends figures to HMRC. Best if your records already work and you want minimal change.

- Reuses your current way of working
- Often lower cost
- Requires a compliant digital link — no retyping

A simple selection checklist

- **Recognised by HMRC.** Confirm it appears on the official GOV.UK list of MTD for Income Tax software before you commit.
- **Covers your income types.** Make sure it supports both self-employment and property if you have both.
- **Handles multiple businesses** if you run more than one trade.
- **Fits your confidence level.** The best tool is the one you will actually keep up to date.
- **Clear, predictable pricing** with no surprises as your needs grow.

Always check the official list

HMRC maintains and updates the list of compatible products on GOV.UK. Availability and features change, so verify a product is currently recognised for **Income Tax** (not only VAT) before subscribing.

HOW AKSONS HELPS

Software included & set up for you

Aksons clients get cloud accounting software as part of their monthly plan, configured for MTD, with a **dedicated accountant** handling the quarterly submissions. No guesswork about which tool to pick.

DON'T OVER-THINK THE TOOL

Far more important than which software you choose is **separating your business banking** and **recording little and often**. Sort those two habits and almost any compliant tool will serve you well.

SECTION 08

Penalties & the first-year soft landing

MTD arrives alongside a points-based penalty system. The good news: there is real breathing space in the first year — provided you understand exactly what is and isn't covered.

RELIEF — YEAR ONE

Soft landing on quarterly updates

For those mandated from **6 April 2026**, HMRC will **not apply penalty points for late quarterly updates** during the first tax year (2026/27). It is a genuine window to find your feet.

STILL APPLIES

Filing & payment penalties continue

The soft landing covers **quarterly updates only**. Penalties for a **late final declaration** and for **paying your tax late** apply as normal. Don't mistake the relief for a free pass.

How the points system works

For each late quarterly update, HMRC issues **one point**. Reach **4 points** and a **£200 penalty** follows, with a further £200 for each later late submission. Points expire after a period of compliance — so getting back on track clears the slate.

+1 point per late update → **4** points reached → **£200** penalty charged → **0** stay compliant — points expire

Late-payment interest

Tax paid late attracts interest and, beyond certain periods, additional late-payment penalties. The cheapest penalty is always the one you avoid by paying on time.

Volunteers testing early

If you signed up voluntarily before being mandated, different penalty treatment may apply during testing. Check your status when HMRC confirms it.

USE THE GRACE PERIOD WISELY

Treat 2026/27 as a **practice year**: submit every quarter on time even though points are waived, so the routine is second nature before penalties begin to bite in 2027/28.

Penalty and soft-landing details verified against GOV.UK "Sign up for Making Tax Digital for Income Tax" guidance, 2026. Specific penalty thresholds and rates are set by HMRC and may change.

SECTION 09

Your MTD readiness checklist

Work through these in order. Tick each one off and you will move from “am I affected?” to “fully ready” with nothing left to chance.

- ☐ **Check your latest return**
  Find your gross self-employment + property income on your most recent Self Assessment.
- ☐ **Confirm your start date**
  Compare the total against £50k / £30k / £20k to find your mandation year.
- ☐ **Separate your banking**
  Open a dedicated business account so income and expenses are clean and easy to record.
- ☐ **Choose your route**
  All-in-one software, or spreadsheet plus bridging — pick what fits how you work.
- ☐ **Verify HMRC recognition**
  Confirm your chosen software is on the GOV.UK list for Income Tax, not just VAT.
- ☐ **Sign up with HMRC**
  Register for MTD for Income Tax — or have your accountant do it as your agent.
- ☐ **Start recording now**
  Build the habit of logging income and expenses monthly, well before your first deadline.
- ☐ **Diarise the four dates**
  Set reminders for 7 Aug, 7 Nov, 7 Feb and 7 May each year.

Five key takeaways

1. **It's live now.** Over £50k means MTD applies from 6 April 2026 — not a future concern.
2. **Gross, combined.** Test turnover before expenses, adding self-employment and property together.
3. **Four updates + a finalisation.** Quarterly summaries replace the once-a-year scramble.
4. **Companies are exempt.** MTD for Income Tax is personal income only.
5. **Prepare early.** Year-one penalty relief is a chance to practise — not a reason to delay.

WHERE TO READ MORE ON THE AKSONS SITE

For ongoing updates as the 2027 and 2028 thresholds approach, see the Articles & News and Business Guides sections at aksonsaccounting.com — including dedicated pieces on MTD for sole traders and landlords.

IN CLOSING

Turn a deadline into a habit

Making Tax Digital feels like a hurdle because it changes a routine many people have followed for years. But the businesses that handle it best all do the same thing: they **start early, bank cleanly, and record little and often**. Do that, and quarterly reporting becomes a quiet five-minute task rather than a source of stress.

You now know whether you're in scope, by when, what qualifying income really means, what you'll need to submit, and how to get ready. The next step is simply to begin.

TALK IT THROUGH WITH AKSONS

Let a dedicated accountant handle MTD for you

Aksons Accounting helps sole traders and landlords across the UK get MTD-ready — software included, quarterly submissions handled, and clear fixed monthly pricing. No jargon, no surprises.

Book a free consultation

aksonsaccounting.com

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