TRIDENT TAX

Our advice is defined by our knowledge and refined by our experience.

Factsheet

July 2026

Making Tax Digital for Income Tax: What Landlords and Sole Traders Need to Know

This factsheet provides an overview of Making Tax Digital for Income Tax for sole traders and landlords. It explains who is affected, the reporting timetable, the digital-record requirements and the practical steps to take as the first quarterly deadline approaches.

The rules add a new reporting process to Self Assessment. Given the importance of confirming scope and agreeing a workable record-keeping process, we recommend seeking advice based on your particular circumstances.

Key questions

What is MTD?	A new way for qualifying sole traders and landlords to keep digital records, send quarterly updates and complete their annual tax return using compatible software.
Who is first affected?	Individuals whose qualifying income was more than £50,000 on their 2024/25 Self Assessment tax return, subject to exemptions.
First deadline	The first quarterly update for 2026/27 is due by 7 August 2026, whether standard or calendar update periods are used.

Who needs to use MTD?

MTD for Income Tax is being introduced in stages. An individual generally needs to use it where they are registered for Self Assessment, receive income as a sole trader or landlord, and their qualifying income is above the relevant threshold.

Tax return used to test income	Qualifying income	MTD start date
2024/25 tax return	More than £50,000	6 April 2026
2025/26 tax return	More than £30,000	6 April 2027
2026/27 tax return	More than £20,000	6 April 2028

What is qualifying income?

Qualifying income is the combined gross income from self-employment and property before expenses.

It is tested by reference to the relevant Self-Assessment tax return and can bring an individual within MTD even where no single source exceeds the threshold.

- **Example:** gross rental income of £30,000 and self-employment turnover of £25,000 produce qualifying income of £55,000.
- Other sources, such as employment income, dividends, interest and capital gains, do not form part of the qualifying-income test.
- An individual partner's share of partnership profit does not count as qualifying income for this purpose, although it must still be included in the annual tax return.
- Certain automatic and temporary exemptions can apply. A separate exemption may also be available where a person is digitally excluded.

The exemption rules are detailed and should be checked before assuming that MTD does or does not apply.

What does MTD require?

Digital records	Create and preserve digital records of self-employment and property income and expenses using compatible software.
Quarterly updates	Send cumulative summaries of income and expenses to HMRC every three months for each relevant business or property business.
Annual tax return	Make any year-end adjustments, add other income and gains, and submit the annual tax return using MTD-compatible software.

Quarterly updates are summaries – not tax returns

- No accounting or tax adjustments are required before a quarterly update is sent.
- HMRC receives totals by income and expense category, not copies of individual receipts or invoices.
- Each update is cumulative from the start of the tax year to the end of the relevant period.
- MTD does not itself create quarterly tax-payment dates. Existing Self-Assessment payment dates continue to apply.

Quarterly update periods and deadlines

The deadline is the same whether standard or calendar update periods are used. The appropriate basis should be selected before the first update is submitted.

Update	Standard period	Calendar period	Deadline
First update	6 Apr – 5 Jul	1 Apr – 30 Jun	7 August 2026
Second update	6 Apr – 5 Oct	1 Apr – 30 Sept	7 November 2026
Third update	6 Apr – 5 Jan	1 Apr – 31 Dec	7 February 2026
Fourth update	6 Apr – 5 Apr	1 Apr – 31 Mar	7 March 2026

- A quarterly update may be sent after the relevant period ends and before the deadline.
- A nil update is still required where there was no income or expenditure in the latest period.

What happens at the end of the year?

The 2025/26 Self Assessment tax return must still be submitted through the existing process by 31 January 2027. The first annual return completed through MTD will cover 2026/27 and will be due by 31 January 2028.

The annual process remains necessary to include year-end adjustments, reliefs, other income and capital gains.

Digital records and software

MTD does not necessarily require every taxpayer to adopt the same bookkeeping system. The record-keeping arrangement can be tailored, but it must form part of a compliant digital process.

Accounting software	Create and preserve digital records of self-employment and property income and expenses using compatible software.
More than one product	Send cumulative summaries of income and expenses to HMRC every three months for each relevant business or property business.
Spreadsheets	A spreadsheet can be used for digital record keeping, but it must connect to MTD-compatible or bridging software. For example, an electronic spreadsheet may be emailed and imported into the adviser's software.
Supporting documents	Bank statements, invoices and other original records or supporting documents must continue to be retained in the normal way.

Once digital records have been created and used for an MTD submission, information should continue to move through digital links rather than manual re-keying or copy-and-paste between

How Trident Tax will work with clients

Trident Tax can make the required MTD submissions on behalf of clients. We are not prescribing a single software package or record-keeping model; the appropriate process will be agreed on a case-by-case basis.

- Some clients will continue to maintain their own records in compatible accounting or bookkeeping software and provide us with access or a suitable export.
- Others will maintain records in an agreed Excel format and provide the electronic file to us for review and processing through an MTD-compliant system.
- We will agree responsibilities, information requirements and an internal timetable in advance of each HMRC deadline.
- Clients remain responsible for ensuring that the underlying records and information supplied are complete and accurate.

The practical priority

The first quarterly deadline is 7 August 2026. Affected taxpayers should not wait until the deadline to decide how records will be maintained, transferred and reviewed.

Clients who have not yet confirmed whether they are within scope or agreed their reporting process should contact us now.

Common questions

Does MTD mean I pay tax quarterly?	No. Quarterly reporting does not create new quarterly payment dates. Existing Self-Assessment payment arrangements continue.
Does the annual tax return disappear?	No. An annual return is still required, but for MTD years it must be completed and submitted through compatible software.
What if a quarterly update is late?	HMRC will not apply penalty points for late quarterly updates during 2026/27. The updates must nevertheless be submitted before the annual tax return can be filed, and penalties can still apply to a late annual return.
Can an agent do this for me?	Yes. An authorised agent can help with registration, maintain or process digital records, submit quarterly updates and complete the annual return.
Can I apply for an exemption?	Possibly. Some exemptions are automatic; others require an application to HMRC. Digital exclusion is one potential ground, but the test depends on the individual's circumstances.

Actions to take now

- Check whether qualifying income on the 2024/25 tax return exceeded £50,000.
- Confirm whether an exemption applies or needs to be considered.
- Ensure the MTD registration and agent authorisation process has been completed.
- Agree whether records will be maintained in software or supplied in an agreed spreadsheet format.
- Bring income and expense records up to date from the beginning of the relevant accounting period.
- Provide records to Trident Tax early enough for review before the 7 August 2026 deadline.

How can Trident Tax help?

- Review whether and when MTD applies.
- Assist with registration and agent authorisation.
- Agree a practical digital record-keeping process based on the client's existing systems.
- Review client records and make quarterly submissions to HMRC.
- Complete the year-end adjustments and annual tax return through compatible software.

Please contact your usual Trident Tax adviser as soon as possible if you are affected and have not yet agreed your MTD reporting arrangements.

Technical status: prepared in July 2026 using HMRC guidance updated to 16 July 2026. Further guidance and software functionality may continue to develop.

+44 (0)207 952 2921
admin@tridenttax.com
www.tridenttax.com