Fact Sheet: Making Tax Digital (MTD)

1. What is Making Tax Digital?

- **Definition**: HMRC's programme to replace traditional Self Assessment tax returns with a digital system. This is further described here.
- **Purpose**: Improve accuracy, reduce errors, and make tax reporting more efficient.
- **Scope**: Already applies to VAT; now being extended to Income Tax Self Assessment (ITSA).

2. Who Does It Impact?

- **Sole traders** and **landlords** with combined gross income (before expenses) above thresholds:
  - From 6 April 2026: Income over £50,000
  - From 6 April 2027: Income between £30,000–£50,000
  - From 6 April 2028: Income between £20,000–£30,000
- Exemptions:
  - Foster carers (where only income is qualifying care income)
  - Those subject to insolvency procedures
  - Individuals who are digitally excluded (e.g., due to disability, age, or religious grounds)

3. What Does It Mean in Practice?

- **Quarterly reporting**: Instead of one annual tax return, taxpayers must send updates every 3 months.
- **Digital record-keeping**: Income and expenses must be recorded using HMRC-recognised software (apps or desktop).
- **End-of-year submission**: A final declaration (like a tax return) is still required by 31 January each year but submitted digitally.
- **Software requirement**:
  - HMRC does not provide its own software for Making Tax Digital (MTD). Instead, taxpayers must choose from a list of HMRC-recognised providers. Options

include both record-keeping apps and bridging software (for those who prefer spreadsheets).
- You can find the official HMRC list of recognised software for Making Tax Digital (MTD) here. You can filter by needs (self-employment, UK property, foreign property, etc.) and shows which providers — including Xero, QuickBooks, Sage, Clear Books, TaxCalc, and bridging software like 123 Sheets — are approved for MTD compliance.

4. **What Do Those Impacted Need to Do?**

- **Check eligibility**: Review income levels to see when MTD applies.
- **Sign up**: Taxpayers must register for MTD; HMRC will not automatically enrol them. Sign up here.
- **Choose software**: Select HMRC-recognised software for digital record-keeping and submissions.
- **Prepare early**: Voluntary sign-up is available now, allowing testing before mandatory deadlines.
- **Stay compliant**: Once within scope, taxpayers can only deregister if income falls below the threshold for 3 consecutive years or the business ceases.

5. Key Dates & Deadlines

Date	Who is Impacted	Requirement
6 April 2026	Sole traders & landlords with income > £50,000	Must use MTD
6 April 2027	Income £30,000–£50,000	Must use MTD
6 April 2028	Income £20,000–£30,000	Must use MTD
31 January (annually)	All MTD taxpayers	Final declaration submission deadline

6. **Summary**

MTD is the biggest change to UK tax reporting in 30 years. It requires phased adoption by sole traders and landlords, starting in 2026. Those impacted must digitally record income/expenses, use HMRC-approved software, and submit quarterly updates. Preparing early by adopting software now will ease the transition. The HMRC Guide to MTD can be found here.