MTD for Income Tax:

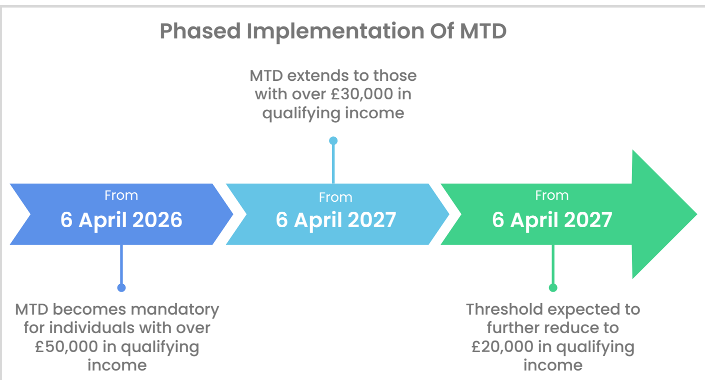
What You Need to Know

Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) is an HMRC initiative that transforms the way self-employed individuals and landlords submit their tax information. Rather than relying on annual paper returns and static spreadsheets, MTD introduces a system of real-time digital record keeping and direct online submissions.

You may need to be ready to comply with MTD for ITSA in less than a year. Have no fear; we are here to guide you through it, from setting up HMRC compliant digital bookkeeping to submitting quarterly filings and making final declarations so that you can remain fully compliant.

Who is Affected by MTD for ITSA & when?

- **From 6 April 2026:** Self-employed individuals and landlords with qualifying income over **£50,000** in the 2024–25 tax year must join MTD for ITSA.
- **From 6 April 2027:** Self-employed individuals and landlords with qualifying income over **£30,000** in the 2025–26 tax year must join MTD for ITSA.
- **From 6 April 2028:** Self-employed individuals and landlords with qualifying income over **£20,000** in the 2026–27 tax year must join MTD for ITSA.



What is Qualifying Income?

Under MTD for ITSA, qualifying income, also referred to as MTD-mandated income, is the total gross turnover or rental receipts earned from Self-employment activities and Property (rental) income before deducting any expenses, calculated across the tax year.

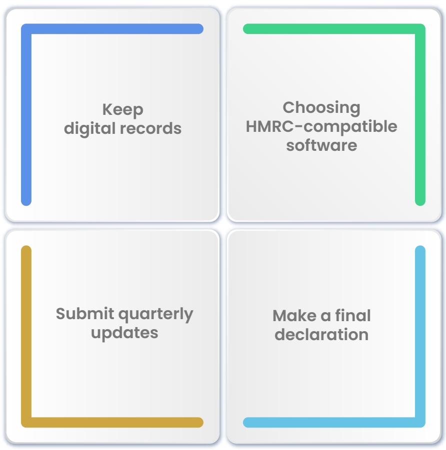
It excludes all other Self-Assessment incomes such as employment pay (PAYE), pensions, dividends, interest and partnership profits. HMRC assesses the qualifying income by reviewing the gross income entries on your most recent Self-Assessment return. For the tax year 2026-27, HMRC would review your 2024–25 return, due 31 January 2026, to determine your MTD status).

Tax residency also affects qualifying income:

- For UK residents: It will include self-employment and income from UK and foreign properties.
- Non-UK residents: It will include self-employment declared in your UK self-assessment return and UK property income.

What are the Requirements of MTD?

Under MTD for ITSA, in-scope taxpayers must:



Let's unpack each one in detail in the following sections:

Digital Record Keeping

Under MTD for ITSA, all self-employment, property income, and expense records must be created and stored digitally in HMRC-recognised software or linked spreadsheets. Manual copy and paste between systems is no longer allowed, as each transfer must use a secure digital link to preserve data integrity. You need to record, at minimum, the **date, amount, category** and **description** of every transaction and retain that information for at least five years after the filing deadline.

If you receive paper invoices or receipts, you can **scan or photograph** them (provided the images are complete, accurate and legible) and upload them directly into your software, ensuring your source documents remain tied to the corresponding digital record.

By enforcing these standards, digital links, category tags, and secure attachments, the system ensures real time visibility, transaction level entries that are time stamped and locked to prevent silent edits and a fully auditable pathway from original receipt to final declaration.

Choosing HMRC-compatible software

To comply with MTD, taxpayers must use software that is compatible with HMRC systems. There are two types of software:

Record-keeping software

This software enables users to maintain digital records of income and expenses, categorise transactions, and submit updates directly to HMRC through a built in Application Programming Interface (API). It must be capable of creating and storing digital records, maintaining digital links, and producing and submitting the required quarterly updates and Final Declaration.

Bridging software

This software connects non-compatible record keeping systems, such as spreadsheets, to HMRC systems. Bridging software must be capable of extracting data from digital records and converting it into the format required by HMRC's MTD APIs. It must also maintain digital links between the source records and the data submitted.

Submit Quarterly Updates

Under MTD, taxpayers with above the qualifying income must submit quarterly reports to HMRC via MTD compatible software. The updates will be a summary of income and expenses recorded in each of the four quarters of the tax year. The total value submitted must equal the digital records kept during the quarter.
Quarterly reporting is not a tax return, and tax liability calculation is not required.

Quarterly Periods and Deadlines

You can choose to report on standard update periods or calendar update periods. The filing deadlines for both would be the same.

Deadline	Standard Update Period	Calender Update Period
7 August	6 April to 5 July	1 April to 30 June
7 November	6 April to 5 October	1 April to 30 September
7 February	6 April to 5 January	1 April to 31 December
7 May	6 April to 5 April	1 April to 31 March

All four quarterly updates must be submitted on time to avoid penalties. These updates are cumulative, meaning each one includes a summary of income and expenses from the start of the reporting period up to the end of the relevant quarter.

Make a Final Declaration

The Final Declaration is the concluding step in the MTD for the ITSA process, which must be submitted by 31 January following the end of the tax year. It is used to confirm that every source of income has been submitted to HMRC and is accurate to the best of their knowledge. It confirms that all income reported through MTD submissions is complete and correct to the best of the taxpayer's knowledge.

In this step, the taxpayer finalises their tax position for the relevant tax year by bringing together all MTD mandated business and property income and applying final adjustments, reliefs, or allowances such as the personal allowance, Gift Aid, marriage allowance, student loan, and High Income Child Benefit charges.

For taxpayers earning income from sources outside the scope of MTD, such as employment, savings interest, dividends, pensions, and foreign income, they must report that to HMRC in their Self-Assessment return.

How MTD Differs from Traditional Self-Assessment?

MTD introduces a structured and software driven reporting process. It requires taxpayers to maintain digital records and interact more frequently with HMRC through compatible software. The income and expenses must be recorded digitally throughout the year, and quarterly updates must be submitted to HMRC rather than a single annual submission.

Under traditional Self-assessment, income and expense records are maintained using a method of the taxpayer's choosing, whether paper based, spreadsheets, or desktop/accounting software. A single annual tax return is then prepared, incorporating all sources of income such as self-employment, dividends, property income, capital gains and savings, and submitted to HMRC by 31 January. Tax liabilities are calculated and paid at that point.

During the early years of MTD for ITSA, MTD and the traditional Self-Assessment system may run parallel for some individuals. MTD currently applies only to business and property income. At the same time, many taxpayers receive other sources of income that have not yet been fully integrated into the Making Tax Digital (MTD) framework. As a result, those within MTD may still be required to file a Self-Assessment return to report non-mandated income or claim certain reliefs. HMRC plans to phase out the Self-Assessment return for these individuals in due course, but until full functionality is in place, some will need to comply with both systems.

How Can We Help?

We can help you in the following ways:

Digital Record-Keeping Setup

We'll help you make the move to fully digital bookkeeping using HMRC compatible software or tools. Whether your current records are in paper form, Excel, or another system, we'll migrate everything: receipts, invoices, and spreadsheets into one organised digital system. We'll also ensure that every transaction is entered with the correct date, category, and amount. We can even link your business bank accounts so that transactions feed automatically into your digital records.

Quarterly Updates

When they're due, we'll complete and submit your quarterly income and expense summaries to HMRC. We'll reconcile your digital records every quarter to obtain the correct totals and submit the update on time. We maintain your compliance throughout the year and simplify year end filing.

Onboarding And Software Selection

HMRC has published a list of accepted software, so we suggest HMRC recognised accounting software or bridging tools most appropriate for your needs. We'll install the software, set up your chart of accounts, and connect your bank feeds or other data sources, which will help your data flow straight into your records with minimal manual effort.

Support And Training

We provide one-to-one training sessions on using the new software and MTD processes. We'll walk you and your staff through recording transactions correctly, categorising income and expenses, and handling quarterly submissions. Our goal is to ensure you're compliant and comfortable with the whole process.

Continuing Troubleshooting And Support

If any issues arise, whether software problems or submission questions, we're here to help. For technical glitches, if any, we'll help troubleshoot, work with your software provider if needed, and liaise with HMRC on your behalf.

Mtd Sign-Up And Agent Authorisation

We will assist you in signing up for MTD ITSA and setting up your Agent Services Account (ASA). We will link your new MTD profile with our firm's agent account so that we can seamlessly submit updates on your behalf. We will also guide you through the sign up timeline and authorisations to meet HMRC's requirements well before the April 2026 deadline.

Year-End Return And Adjustments

On 31 January 2028, we'll prepare your MTD Final Declaration and ensure your digital records fully align with your final tax position. We'll also file your Self-Assessment tax return if you have other incomes like PAYE, dividends, or pensions. We'll apply the correct allowances and deductions and make any necessary adjustments (such as for capital allowances or reliefs) to ensure everything aligns with HMRC's requirements.

Exemption Advice

Where your situation may qualify for an MTD exemption (e.g., if you are genuinely unable to use digital technology), we can advise you on this and help you make an exemption claim. HMRC is requesting exemption applications well before April 2026, and we'll work with you to look at the conditions and handle the paperwork if needed.