



**UPDATED FOR THE**

**2026 MTD ROLLOUT**

# A Simple Guide to Making Tax Digital

**A Guide for Landlords  
and Sole Traders**

Expert guidance from  
Blue Rocket Accounting





**Blue Rocket Accounting** are a crew of accountants on a mission to help businesses, like yours, grow. Unsurprisingly, we provide the usual range of accounting services. But, we are far from the grey two-piece suit wearing, jargon-speaking stereotype in our approach. At Blue Rocket, our team is capable of far more than just number crunching. Where we come into our own is in our ability to think creatively and proactively, identifying areas where we can help fuel your business' growth.

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*It's not rocket science, just great accounting!*

# A Simple Guide to Making Tax Digital

## For Landlords and Sole Traders

Making Tax Digital (MTD) for Income Tax is one of the biggest changes to the UK tax system in recent years. If you're a landlord or self-employed, it will change how you keep records and how you report your income to HMRC.

Although the changes can sound daunting at first, the goal is actually to make the tax system more accurate and less stressful. With the right systems and support in place, many people find it becomes easier to stay organised and keep on top of their finances throughout the year.

This guide explains what MTD is, who it affects, and what you can do now to prepare.



## How to Use This Guide

This guide has been designed to be clear, practical, and easy to navigate.

If you already know the information you're looking for, you can simply jump straight to the relevant section. Each part of the guide covers a specific topic, so you can quickly find the answers you need without having to read everything from start to finish.

If you'd prefer a broader understanding of Making Tax Digital, the guide is also structured so you can read it from beginning to end in a short amount of time. The information has been kept concise and straightforward, helping you get up to speed quickly without unnecessary jargon.

Still unsure about how the changes may affect you? The team at **Blue Rocket Accounting** are here to help. With a full understanding of the upcoming Making Tax Digital requirements, we can answer your questions and guide you through what you need to do next. Feel free to get in touch if you'd like to discuss your situation.

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# What is Making Tax Digital?

Making Tax Digital (MTD) is HMRC's plan to move the tax system away from paper records and manual tax returns.

Instead of submitting one tax return each year, you will:

- Keep **digital records of income and expenses**
- Use **compatible software**
- Send **regular updates to HMRC**

The aim is to reduce mistakes and make the tax system more modern and accurate.

## Why HMRC Is Introducing These Changes

The main aim of Making Tax Digital is to modernise the UK tax system. HMRC wants to move away from manual records and last-minute tax returns towards a system where financial information is recorded digitally and reported more regularly.

For many businesses, the current system encourages leaving everything until the end of the tax year. This can lead to rushed calculations, missing paperwork, and unnecessary stress.

By requiring digital record-keeping and more regular updates, HMRC hopes to reduce these problems and improve the accuracy of tax reporting. In theory, this should make it easier for people to understand their tax position during the year rather than being surprised by it at the end.

This approach has already been introduced for VAT, and Making Tax Digital for Income Tax is the next step in that process.



# Who Needs to Comply and When?

One of the most common questions people ask is whether Making Tax Digital actually applies to them.

MTD for Income Tax will apply to **self-employed individuals and landlords** once their qualifying income reaches certain thresholds. Importantly, these thresholds are based on **total income before expenses**, not profit.

The rollout will happen gradually:

**From 6 April 2026**

If your income is **£50,000 or more**

**From 6 April 2027**

If your income is **£30,000 or more**

**From 6 April 2028 (planned)**

If your income is **£20,000 or more**

HMRC determines whether you fall within these thresholds using your most recent Self-Assessment tax return. In other words, it's not something you apply for, HMRC will notify you when you are required to comply.

If your income is close to these thresholds, it's sensible to start preparing early so that the transition is smooth when the rules apply to you.

## What MTD Means in Practice

Under the current system, most people submit one Self-Assessment tax return each year. Making Tax Digital introduces a more regular reporting process.

Instead of a single annual submission, you will send:

- **Four quarterly updates during the year**
- **An end-of-period statement**
- **A final declaration confirming your tax position**

These quarterly updates provide HMRC with a summary of your income and expenses for each period.

A common misunderstanding is that this means you will need to **pay tax four times a year**. This isn't the case. The payment deadlines for income tax remain the same, you are simply reporting your figures more regularly.

## Keeping Digital Records

One of the key requirements of MTD is digital record-keeping. This means recording your income and expenses using compatible software rather than relying solely on paper records.

There are several ways to do this, including:

- Accounting software designed for small businesses
- Apps that track income and expenses
- Spreadsheets that link to compatible MTD software

HMRC recognises a growing number of software providers, and more are being approved as the rollout continues.

When choosing software, it's important to make sure it:

- Is recognised by HMRC for **MTD Self-Assessment**
- Can handle **quarterly updates and year-end submissions**
- Allows you to keep **digital records of income and expenses**
- Integrates with other tools or spreadsheets you may already use

The right option will depend on the complexity of your business and how comfortable you are using digital systems.

## Your Options Under MTD

There isn't just one way to comply with Making Tax Digital.

Some landlords and sole traders will choose to manage everything themselves using compatible software, particularly if their income is straightforward and they're comfortable with digital tools.

Others may continue using spreadsheets, provided they are correctly linked to compatible software that can submit the information to HMRC. This approach can work well, but it does require careful setup to ensure digital records and submissions meet HMRC's rules.

For many people, working with an accountant provides additional reassurance. An accountant can help ensure records are accurate, submissions are made on time, and any issues are dealt with early rather than becoming problems later on.



## Common Misconceptions

Many people worry about MTD because of things they've heard that aren't quite true.

Here are a few common myths:

**"MTD means I'll pay more tax."**

No - the amount of tax you pay doesn't change.

**"I'll have to pay tax four times a year."**

No - reporting is quarterly, but payment deadlines remain the same.

**"I'll need complicated software."**

Not necessarily. Many simple and affordable tools are available.

## The Benefits of Preparing Early

Although MTD is being introduced gradually, preparing early can make the transition much easier.

Moving to digital record-keeping sooner rather than later can help you stay organised and keep track of your finances throughout the year. It can also improve your understanding of your cash flow and make it easier to see how your business is performing.

Most importantly, it removes the pressure of last-minute tax returns. When records are kept up to date, there is far less stress when deadlines approach.



# How Blue Rocket Accounting Can Help

At Blue Rocket Accounting, we understand that changes to the tax system can feel overwhelming. Our goal is to make Making Tax Digital as straightforward and manageable as possible.

We can help you:

- Set up **MTD-ready software**
- Keep your **records organised**
- Handle **submissions and deadlines**
- Make sure you stay **fully compliant**

Our goal is to take the pressure off tax reporting so you can focus on running your business.

With the right systems and support in place, you'll always know where you stand and feel confident that your tax affairs are under control.

## Next Steps

### Get in touch

If you would like to discuss how Making Tax Digital will affect you, or how we can support you with your tax return obligations, our team would be happy to help.

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