



Understanding Income Tax Changes: Making Tax Digital for Income Tax

The script of UK tax is being rewritten with Making Tax Digital for Income Tax. This comprehensive guide will help you understand these important changes and how Theataccounts will support you through this transition.

What is Making Tax Digital for Income Tax?

Making Tax Digital for Income Tax

represents a fundamental shift in how HMRC expects taxpayers to manage and report their income. The government initiative is designed to bring tax reporting into the digital age, improving accuracy and reducing errors through technology.

From April 2026, most self-employed individuals and landlords with income exceeding £50,000 must comply with these new requirements. The system replaces the traditional once-a-year Self Assessment approach with regular digital updates throughout the tax year.

The primary aim is to create a more transparent and efficient tax system that benefits both taxpayers and HMRC. By maintaining digital records and submitting quarterly updates, you will have a clearer picture of your tax position throughout the year, rather than facing surprises at the annual Self Assessment deadline.



April 2026

Implementation date for qualifying income exceeding £50,000



Digital first

Compatible software required for all records



Quarterly updates

Four quarterly digital submissions per year



Final tax declaration

In addition to the quarterly updates, you will still be required to file a tax return

Who Needs to Comply?

Understanding whether Making Tax Digital for Income Tax applies to you is the first step in preparing for these changes. The requirements are based on your annual income levels and the type of income you receive.

Initially, Making Tax Digital for Income Tax will apply to individuals whose qualifying income exceeds £50,000 per year, reported on their 2025 tax return. This threshold applies to specific categories of income, and it is important to understand whether your circumstances mean you will need to comply from April 2026.

Self-Employed Freelancers / Sole Traders

If you are working as a self-employed freelancer with business income exceeding £50,000 annually, you will need to comply with Making Tax Digital for Income Tax. This includes entertainment industry professionals such as actors, musicians, directors, technicians, and other creative freelancers.

Your total self-employed income from all sources counts towards the £50,000 threshold, so it is important to calculate your combined earnings across all freelance activities.

Landlords and Property Rental Income

If you are a landlord with annual rental income exceeding £50,000, you will also need to comply with Making Tax Digital for Income Tax. This applies to both residential and commercial property rentals.

This applies whether you have one high-value property or multiple smaller rental properties that combine to exceed the threshold.

Combined Self-Employment and Rental Income

If you have both self-employment income and rental income, these will be added together to determine if you exceed the £50,000 threshold. For example, if you have £30,000 from self-employment and £25,000 from rental income, your combined qualifying income is £55,000, meaning you would need to comply with MTD for Income Tax.

Limited Companies - Separate Obligations

It is important to note that limited companies are not affected by Making Tax Digital for Income Tax. However, limited companies may have separate Making Tax Digital obligations for VAT if their taxable turnover exceeds the VAT threshold.

If you operate as a limited company director, your personal income tax affairs remain separate and are not subject to Making Tax Digital for Income Tax unless you also have qualifying self-employment or rental income.

Real Examples: Eligibility?

To illustrate how the Making Tax Digital for Income Tax rules apply, let's look at some real-world scenarios to help you determine your own compliance status.

Eligible

(From April 2026)

Qualifying income exceeded £50,000 on 2025 tax return:



Priya - Actor:

£55k (£35k TV, £20k voiceover)



Henry - Musician:

£60k (live performances)



Cath - Landlord:

£52k (3 properties)



Javier - Director:

£53k (£45k directing, £8k teaching)

Not eligible

(Currently exempt)

Qualifying income below £50,000 on 2025 tax return:



Daniel - Stage manager:

£25k



Jess - Dancer:

£40k (private lessons)



Katie - Landlord:

£35k (2 properties)



Chen - Writer:

£48k (various projects)

- ☐ **Important Note:** Income thresholds will change. The government intends for more taxpayers to join Making Tax Digital for Income Tax. From 6 April 2027, the income threshold will be reduced to £30,000, so preparing for digital record-keeping is beneficial regardless of your current status.

How These Changes **Impact Your Tax Filing Process**

The shift to Making Tax Digital for Income Tax will fundamentally change how you interact with your tax obligations throughout the year. Understanding these impacts will help you adapt your approach to bookkeeping and tax management.



Increased Frequency of Reporting

Moving from annual to quarterly reporting means you will engage with your tax affairs four times per year instead of once. This requires more regular bookkeeping and a consistent approach to maintaining your financial records throughout the year, rather than catching up before the January deadline.



Cash Flow Management

One significant benefit of quarterly reporting is improved visibility of your tax position throughout the year. You will have a clearer understanding of your tax position, allowing you to plan your finances in advance.



Accurate Digital Records

With HMRC receiving your information quarterly, accuracy becomes even more critical. Digital record-keeping reduces errors and ensures your submissions are based on up-to-date, precise information. This means developing good habits around recording income and expenses as they occur, rather than retrospectively.



Initial Adjustment Period

As with any significant change, there will be a learning curve. You will need to become familiar with new digital tools and adjust to a different system of tax reporting. However, with support from Theataccounts, this transition can be smooth and may ultimately save you time once the new system becomes routine.

Your **Simple** Step-by-Step Guide to Making Tax Digital for Income Tax

HMRC has provided official guidance for implementing Making Tax Digital for Income Tax, and these are the essential steps every self employed individual or landlord needs to follow. Theataccounts can guide you through each of these steps to ensure compliance.

Work out your qualifying income

Check if your qualifying income exceeded £50,000 on your 2025 tax return, to check if you need to sign up.

Get compatible software

Speak to Theataccounts to find out about the software options available for Making Tax Digital for Income Tax and how to choose the right software for your needs. Remember to connect your existing HMRC online services account to your chosen software.

Use Making Tax Digital

Find out the required tasks you will need to complete over the tax year. These include creating and storing digital records, sending quarterly updates and what to do if your circumstances change.

Find out if and when you need to use this service

Check if you need to use this service to report your sole trader business and/or property income. Use HMRC's online service to find out when you need to start or speak to Theataccounts.

Sign up for Making Tax Digital for Income Tax

Find out what tasks you need to complete before you use the online service to sign up for Making Tax Digital for Income Tax.

Do I Still **Need an Accountant** with Making Tax Digital for Income Tax?

The introduction of Making Tax Digital for Income Tax might lead some to believe that software can fully replace accountants. This is far from the truth as software can never replace the expertise of an experienced accountant in the entertainment industry. It could make the expertise of an accountant more crucial than ever.

While Making Tax Digital for Income Tax streamlines the submission process, it does not simplify the underlying tax rules or remove the need for strategic financial planning. For entertainment professionals, with their often complex and varied income streams and expenses, an accountant remains an indispensable partner.

Expert Interpretation and Compliance

Making Tax Digital automates data submission, but the complexities of tax, allowable expenses, and compliance rules still require a professional's eye. We ensure your digital records accurately reflect your financial position and meet HMRC standards, preventing errors and potential penalties.

Strategic Tax Planning

Beyond just reporting, an accountant provides invaluable advice on optimising your tax position. With quarterly insights, we can proactively identify tax-saving opportunities, manage cash flow, and help you make informed financial decisions throughout the year, not just at year-end.

Industry-Specific Knowledge

For entertainment professionals, understanding unique income structures (e.g. irregular payments, foreign income) and industry-specific expenses (e.g. agent fees, costume costs, subscriptions) is critical. Our specialised knowledge ensures every industry is correctly catered for under Making Tax Digital.

Software Guidance and Efficiency

Choosing the right Making Tax Digital compatible software and integrating it effectively can be daunting. We guide you through the selection process, provide training, and help streamline your digital record-keeping, turning potential administrative burdens into efficient routines.

Time-Saving and Peace of Mind

By handling your Making Tax Digital compliance, from quarterly submissions to annual finalisations, we free up your valuable time. This allows you to focus on your work, confident that your tax affairs are managed professionally and accurately, reducing stress and providing peace of mind.

Frequently Asked Questions

We understand you may have questions about Making Tax Digital for Income Tax. Here are answers to the most common queries we receive from our clients in the entertainment industry.

What software do you recommend?

Theataccounts is actively identifying the most suitable and cost effective software solution for our entertainment industry clients. We will provide further details very soon.

Whichever software is recommended, it will be fully Making Tax Digital compliant and Theataccounts will provide comprehensive assistance to get you started.

Do I still file an annual tax return?

Yes, an annual tax return is still required, but it will be based on the quarterly updates you have already provided. This process acts as a final check and declaration, which will be quicker and less stressful since most information is pre-submitted. You will still be able to make final adjustments and confirm accuracy in the final declaration.

What if I earn less than £50,000?

If your qualifying income is below £50,000, Making Tax Digital for Income Tax is not mandatory for you from April 2026. However, it is important to note that this threshold will be reduced in the following tax year.

Will this affect my tax payments?

Making Tax Digital for Income Tax does not change when or how you pay your taxes. Payments on account will continue to be due on 31 January and 31 July, as the Self Assessment payment structure remains unchanged. The quarterly reporting process will provide better visibility of your tax position throughout the year, making it easier to plan and budget.

What happens if I miss a quarterly deadline?

If you miss a quarterly deadline, HMRC may impose penalties. However, there are reasonable excuse provisions for genuine circumstances like illness or technical issues. It is important to submit as soon as possible and contact HMRC if you anticipate difficulties. Theataccounts can help you establish systems and reminders to avoid missed deadlines, and provide support if issues arise.

Theataccounts Are Your Trusted Partner in the Transition to Making Tax Digital

At Theataccounts, we have built our reputation on understanding the unique needs of entertainment industry professionals. We know that your income patterns can be irregular, with busy periods followed by quieter times. We understand the complexity of managing multiple income sources, from performance fees to royalties to teaching work.

This specialist knowledge positions us perfectly to support you through the Making Tax Digital transition. We are committed to assisting our clients to ensure the change is as smooth and stress-free as possible. With our expertise, Making Tax Digital does not have to be a burden - it can become a tool that helps you manage your finances.

Our team stays up to date with all HMRC requirements and software developments, so you do not have to. We will ensure your tax affairs remain compliant and optimised under the new system, whilst you focus on what you do best.



Industry Specialists

Dedicated expertise in entertainment sector



Ongoing Support

Continuous guidance throughout your Making Tax Digital journey



Compliance Confidence

Peace of mind that everything is handled correctly



Save several hours per quarter

Reclaim time allowing you to focus on your business

Ready to Get Started?

Contact Theataccounts for personalised support and guidance on Making Tax Digital for Income Tax. We will ensure your tax affairs remain compliant and optimised under the new system.

Visit theataccounts.co.uk to discuss how we can support you through this transition.

Action Checklist for Eligible Taxpayers

Ensure a smooth transition to Making Tax Digital for Income Tax with this comprehensive action plan.

Immediate actions (now)

- ☐ Calculate your total qualifying income for the 2025 tax year
- ☐ Determine your Making Tax Digital compliance date (April 2026 or later)
- ☐ Contact Theataccounts for a Making Tax Digital assessment

By end of 2025

- ☐ Choose Making Tax Digital compliant software - Theataccounts can help
- ☐ Set up digital record-keeping system
- ☐ Establish quarterly bookkeeping routine
- ☐ Schedule training session with Theataccounts, if required

By April 2026

- ☐ Complete HMRC Making Tax Digital registration process
- ☐ Connect software to HMRC
- ☐ Prepare for first quarterly update
- ☐ Set up automatic deadline reminders

Ongoing requirements

- ☐ Maintain digital records for all income and expenses
- ☐ Keep software updated and compliant
- ☐ Submit quarterly updates to HMRC
- ☐ Prepare for final annual declaration

Partner with Theataccounts for effortless Making Tax Digital compliance

We will provide support, from your initial assessment and software selection, to ongoing digital record-keeping, quarterly submissions and final tax returns. Let us handle the complexities, so you can focus on you. [Contact us today for a free consultation](#)