

Making sense of Making Tax Digital for Income Tax

A practical guide for self-employed people and landlords



Introduction

From April 2026, how you report your income to HMRC will begin to change. If you're self-employed, a landlord, or both, you may soon be required to keep digital records and send updates to HMRC every quarter under the new Making Tax Digital for Income Tax (MTD IT) rules.

MTD IT aims to modernise the tax system with digital records and quarterly submissions instead of the annual Self Assessment return.

This white paper is designed to help you understand what's changing. It explains who MTD IT affects, what you'll need to do, and how to get ahead.

Whether you're running a small business, managing a portfolio of properties, or earning income on the side, this guide will help you make sense of the transition.

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TIP: Use the current HMRC public pilot to practise and become familiar with MTD IT before you officially have to sign up.





Section 1

Who MTD IT affects and when

MTD IT will apply to many self-employed individuals and landlords. It is being introduced in phases and will eventually replace the current HMRC Self Assessment return.

From April 2026, if your gross self-employment or property income is £50,000 or more, you'll be required to comply. This threshold drops to £30,000 in April 2027, and again to £20,000 in April 2028.

Importantly, MTD IT applies to **gross** income – not profit – and includes the total from all your qualifying income sources (with the exception of PAYE).

You will be affected if you are:

-  a sole trader
-  a landlord with UK or overseas property income
-  someone who has both self-employment and rental income

If your combined gross income from these sources meets the threshold, then MTD IT applies to you. If they haven't already, HMRC will also be contacting you in the run-up to your mandatory starting date.



Who is exempt or deferred

Some individuals and organisations are excluded from MTD IT.

These include:

- trusts, estates, and the trustees of registered pension schemes
- companies, charities, and partnerships (for now)
- foster carers and shared lives carers (if only income is qualifying care)
- non-UK residents without a National Insurance number
- ministers of religion and Lloyd's underwriters
- recipients of the Blind Person's Allowance or Married Couple's Allowance
- individuals under Power of Attorney arrangements
- non-UK resident foreign entertainers/sportspeople with no other qualifying income.

You can also apply for an exemption if you meet [HMRC's criteria for digital exclusion](#).

This may include individuals who cannot reasonably use digital tools due to age, disability, or inadequate internet access.



Do I need to register?

Yes - being registered for Self Assessment doesn't mean you're automatically enrolled in MTD IT. HMRC will notify you when you are required to join, and at that point, you must register separately. Once you've been advised by HMRC, they will close the old Self Assessment system to you. This isn't applicable during the pilot scheme, however.



Get in early – the 2025 pilot scheme

HMRC is operating an optional public pilot scheme for those who want to prepare ahead of April 2026. If you meet their [eligibility criteria](#), you can join from April 2025 onwards.

Participating early offers a chance to familiarise yourself with the system and establish your processes ahead of mandatory compliance. It also enables you to see an updated view of tax liability for the year.

The pilot scheme is presently limited to certain income types and UK residents with income from Self-Employment and/or UK property. It will broaden to include more types of income as we approach April 2026.

Rest assured, you can leave the pilot if you decide it's not for you. In that instance, you would complete a self-assessment tax return as usual until you reach your MTD IT mandatory start date.

Join the pilot scheme with TaxNav

We've developed a new application to help individuals and landlords take part in HMRC's Making Tax Digital for Income Tax (MTD IT) pilot scheme. It's a great opportunity to get ahead of the curve and become familiar with the new requirements.

By joining the pilot with TaxNav, you'll receive free access to our software for the remainder of the 2025/26 tax year. You'll also benefit from:

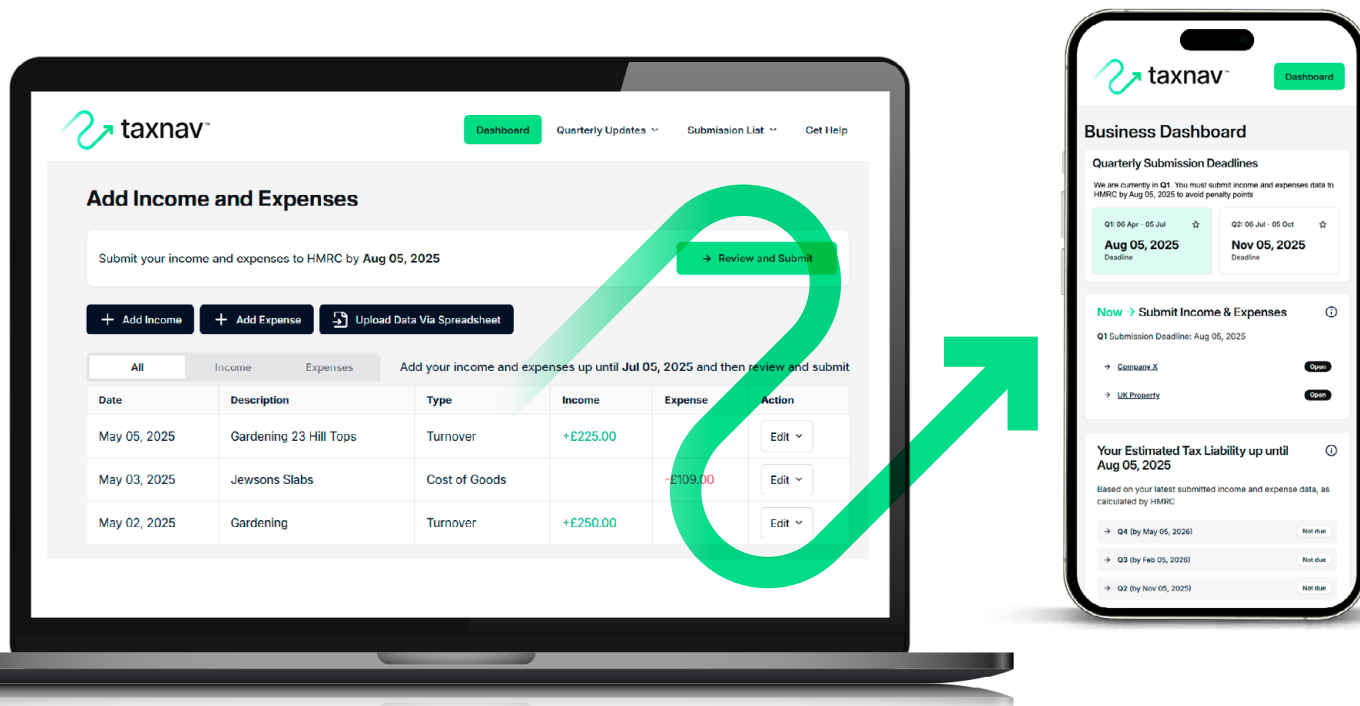
- **Early access** to TaxNav to help you prepare ahead of HMRC's mandation date.
- **A voice in its development**, helping shape the product through your feedback
- **Regular updates and tips** via our newsletter, to support you through the transition

Find out more via taxnav.digital



TIP: Organise your records digitally and consider which HMRC-recognised MTD IT software best suits your work, systems and budget. TaxNav is ideal to help people with simple tax affairs comply with MTD IT and is recognised by HMRC.





Section 2

What MTD IT requires

MTD IT involves three key obligations: keeping digital records, submitting quarterly updates, and completing a final declaration each year. Remember, this has to be done using software recognised by HMRC.

Keeping digital records

You'll need to keep digital records of your income and expenses for each separate business or property source.

MTD IT requires you to record these details to submit your quarterly updates and a final declaration each year.

- The date of the transaction
- The trade or property the income relates to
- The category of the expense
- The amount (net of VAT)

Note that retailers can use daily totals rather than individual transactions if they do not have digital transaction software.

These records can be kept in accounting software or a spreadsheet, provided that the spreadsheet data is submitted using bridging software recognised by HMRC.

TaxNav offers both HMRC-recognised accounting and bridging software.

We also provide simple yet compliant self-employment and property templates to simplify the process.

Submitting the quarterly update

Every three months, you'll send a summary of your income and expenses to HMRC for each of your qualifying income sources. Note this summary is a cumulative total of your income and expenses (ie your year-to-date figures) and not simply your income/expenses for that quarter.

If your total income is below the VAT threshold (currently £90,000), you can submit your expenses as a consolidated figure. This means there is no requirement for you to give a full categorised breakdown of those expenses; you can simply provide a total.

What the quarterly submission might include:

For self-employed income submissions

- Turnover
- Any other business income
- Tax taken off trading income
- Consolidated expenses (eg cost of goods, car, van, travel expenses)

For property income submissions

- Rents (including rent a room) received and premiums on leases
- Reverse premiums and other property income
- Tax deducted
- Residential finance costs and consolidated allowable expenses
- Residential financial costs carried forward
- Rent a room tax relief claimed

Quarterly reporting periods and deadlines

You can choose whether to follow the standard quarterly periods defined by HMRC:

1	6 April – 5 July
2	6 July – 5 October
3	6 October – 5 January
4	6 January – 5 April

Alternatively, you can opt for calendar quarters.

Each update must be submitted within one month and a day from the end of the quarter

The submission deadline dates are:

Quarterly period 1	7 August
Quarterly period 2	7 November
Quarterly period 3	7 February
Quarterly period 4	7 May

Don't worry though; TaxNav allows you to do all of these in one licence.



TIP: Think about which quarterly period reporting will work best for you, given the nature of your business. This has to be declared at the start of the tax year.



How many separate quarterly submissions do I have to make?

If you have one or more self-employment trades/businesses, every quarter you must submit a cumulative total (ie the **year-to-date figures**) of your income/expenses for each income stream. If you have multiple UK properties, you only need to complete one submission for their combined property income. For any foreign properties you own, you must complete a quarterly submission for the combined income from each country.

Final declaration

At the end of the tax year, you must submit a final declaration (similar to a Self Assessment return) by 31 January.

This includes confirming your income and expenses for each business and property and declaring any other types of income, such as:

- ↗ other employment income
- ↗ dividends and savings interest
- ↗ pensions and insurance policy income
- ↗ foreign income
- ↗ capital gains and losses

It's also where you can claim relevant reliefs and allowances.



Do I need to file multiple final returns based on my self-employed and property income?

No, you make any adjustments in the final quarterly returns, then do one final return to cover all your income(s) plus all other annual declarations, such as bank interest, dividends etc.



Section 3

How MTD IT works in practice and getting started

The process of complying with MTD IT involves five key steps:

- 1 Register for the service through HMRC
- 2 Select compatible software – such as TaxNav – that meets HMRC’s requirements
- 3 Decide on your digital record-keeping system
- 4 Submit quarterly updates throughout the year
- 5 Complete your final declaration to finalise your tax position

Examples



A freelancer earning £60,000 from their business will be required to comply from April 2026. Someone with £40,000 in business income and £20,000 in rental income will also need to comply, as their combined income exceeds the threshold.

If you have more than one business or both business and property income, you’ll need to keep and submit separate digital records and updates for each source. For example, someone with two self-employment income streams and UK property income could have to submit three sets of quarterly updates.

Where property income is jointly owned, each party must report their share separately. Furnished holiday lets (like those let on the likes

of Airbnb) are counted as part of UK or foreign property income for the purposes of MTD IT.

Individuals who only earn via PAYE and have no other income aren’t affected. If a limited company owns property or properties, MTD for IT doesn’t apply.

Don’t forget that any supplementary income you generate from online platforms like eBay, Vinted, Etsy etc, also counts towards your gross income and the threshold date for your MTD IT mandate.



MTD IT and property – some further clarifications

Under MTD IT, no distinctions or adjustments are required for the type of property. Properties that generate income include residential houses, flats, apartments, and commercial units.

It also doesn't matter if they are furnished or unfurnished. The income still counts towards your MTD IT gross income total.

If a property is sold or disposed of, this gives rise to a Capital Gains Tax liability and is not treated as income for MTD for IT purposes.

If you have multiple properties, the £50,000+ MTD IT threshold applies to the income from all properties combined. It doesn't relate to the individual income from a specific property.

When it comes to tenancy repair deposits, these are considered income but can be offset in the detail of the expenses by any repair costs.



What you'll need to have ready to sign up for MTD IT

➤ First name
➤ Last name
➤ Date of birth
➤ National Insurance number

Self-employed business (one or more)

➤ Trading start date
➤ Accounting period date
➤ Business name
➤ Business address
➤ Accounting type such as cash basis or accruals

For property income:

➤ The start date of rental income



TIP: Check out these helpful links to get started:

[Check if you need to sign up to MTD IT](#)

[Sign up for MTD IT](#)

[HMRC's MTD IT overview](#)



Section 4

Common questions answered

As you can imagine with any new development, there are many questions circulating around MTD IT's introduction. In this section, we've given answers to the common ones.



Will HMRC provide free software?

No. You'll need to use software from HMRC's recognised list. [TaxNav](#) is one such option, built specifically for landlords and the self-employed.

Do I need to scan all receipts?

Physical receipts are acceptable, but there is no requirement to scan them. However, the transaction details must be entered into your digital records.

What happens if my income fluctuates?

Once you've joined MTD IT, you only leave if your income stays below the threshold for three consecutive years.

Can my accountant manage this for me?

Yes – they can sign you up and submit returns on your behalf. But you're still responsible for ensuring digital records are kept and submitted on time.

Do I have to abandon my spreadsheets?

No, you don't. Spreadsheets remain valid as long as they're linked to HMRC using recognised bridging software, such as TaxNav. Manual entry of the spreadsheet totals, or copy-and-paste submissions aren't allowed, however.

What if I miss a deadline?

HMRC will apply a points-based penalty system. Each missed update earns a point, and once you reach the threshold, you'll face a fine. **The system doesn't apply penalties during the pilot phase.**

Will I still need to do a Self Assessment return?

No, MTD IT replaces the annual Self Assessment for those who fall within its scope. Your quarterly updates and final declaration cover the same ground, but with a new structure.

What if I make a mistake in my quarterly return?

You will be able to amend data in your final quarterly return, or you can add any missing information to the next submission as long as it applies to the tax year you are reporting on. If you want to make a change to a previously submitted periodic update, you can include that change in your following update. Each update is cumulative and invalidates the previous submission because all periods start from the beginning of the tax year.

Can I update more often than quarterly?

Yes. You can update your records monthly or even weekly if you prefer, especially if you want more regular insights into your tax position.

Is there help available for transitioning?

Yes. HMRC offers a range of webinars, articles, and a dedicated team to help you get to grips with the new system. No penalties are issued during the pilot phase, making it an ideal time to learn.

How long does HMRC take to process submissions?

Typically, updates are acknowledged within an hour, significantly faster than the current Self Assessment system.

You can also find helpful answers to questions about the TaxNav software – here taxnav.digital/faq



Summary

Making Tax Digital for Income Tax doesn't have to be overwhelming. With the right tools and a bit of preparation, you can take control of your digital tax reporting and avoid last-minute stress

If you're likely to meet the income thresholds in future years, it is sensible to prepare now:

-  Join the [pilot scheme](#) if you're eligible and get used to the new process before it becomes compulsory.
-  Begin keeping digital records or adapt your current approach so it supports the MTD IT software you'll need to use for quarterly and final reporting.
-  Explore software like [TaxNav](#) that supports the transition and keeps things simple.

Contact TaxNav via:

Our website: taxnav.digital/contact

Email: sales@taxnav.digital

You can also find us on:



linkedin.com/company/taxnav/



facebook.com/taxnav

Why not join the current pilot scheme with TaxNav?

Take part in HMRC's MTD IT pilot with us and get **free access to TaxNav** software for the rest of the 2025/26 tax year.

You'll also enjoy:

-  Early access to prepare for MTD IT ahead of the mandation
-  A voice in shaping the product
-  Helpful updates and insights via email

Find out more via taxnav.digital

This guide provides current information as of September 2025. Always check GOV.UK for the latest updates and specific guidance for your individual circumstances.