Perrys
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Making Tax Digital (MTD) Guide

Self-Employed and Landlords

A comprehensive easy-read guide for those affected by the Making Tax Digital requirements for Self-Assessment. Here you will find a breakdown of all the key areas to consider when deciding whether to manage it yourself or if you need help from an accountant.

What is Making Tax Digital (MTD) for income Tax?

From April 2026, self-employed individuals and landlords with relevant total income over £50,000 will need to keep digital records and file quarterly returns with HMRC using MTD-compliant software.

You will need to:

- Keep digital records of income and expenditure
- Use approved software
- Send quarterly updates to HMRC
- File a final end of year declaration

The end of year declaration will replace the traditional annual Self-Assessment Tax Returns.

This new approach is designed to make the tax system more transparent, reduce errors, and help you keep on top of your tax affairs throughout the year.

You still pay tax once (or via payments on account). Quarterly updates are informational only.

You can either manage this yourself or appoint an accountant to handle your MTD requirements.

Who will be affected?

This change will apply to self-employed individuals including freelancers, sole-traders and landlords with rental income from residential or commercial properties with total gross annual income (turnover) above specific thresholds, detailed below.

Qualifying income is calculated by combining all relevant income sources. If your qualifying income from the previous 3 years does not meet the threshold, you may be exempt.

Income types that do not form 'qualifying income' within the MTD scheme:

- Employment income (that is already taxed by PAYE)
- Dividend income and savings/bank interest
- Partnership profit shares
- Pensions
- Capital Gains

There are other exemptions that will apply, please see page 4 for more information.

From 6 April 2026:

£50,000

Individuals whose qualifying income exceeds £50,000 for the 2024/25 tax year will be required to follow the Making Tax Digital rules for Income Tax.

From 6 April 2027:

£30,000

Individuals whose qualifying income exceeds £30,000 for the 2025/26 tax year will be required to follow the Making Tax Digital rules for Income Tax.

From 6 April 2028:

£20,000

Individuals whose qualifying income exceeds £20,000 for the 2026/27 tax year will be required to follow the Making Tax Digital rules for Income Tax.

What needs to be submitted under MTD and when?

Landlords

Landlords must keep digital records using approved MTD software and submit:

1. Each transaction date, amount, description and category for both income and expenses
2. Quarterly updates
3. A final declaration by 31 January

Typical landlord entries include rent received, repairs and maintenance, agent fees, insurance and finance costs

Sole Traders

Sole traders must keep digital records using approved MTD software and submit:

1. Each transaction date, amount, description and category for both income and expenses
2. Quarterly updates
3. A final declaration by 31 January

Typical sole trader entries include income from sales, fees and takings, expenses e.g. cost of stock/materials, travel and professional subscriptions

How to prepare for Making Tax Digital

1. Choose and set up HMRC-approved software

Choose accounting software that meets HMRC's MTD requirements and suits the way you run your business. Approved tools allow landlords and sole traders to maintain digital income and expense records, as well as send quarterly updates and end-of-year submissions straight from the system.

It's worth choosing software that simplifies digital bookkeeping – for example, built-in invoicing, receipt capture or expense-tracking tools.

2. Register for MTD for Income Tax

You'll need to complete the registration through the GOV.UK site or through your chosen software. Before you start, make sure you have the following information to hand:

- your business name
- the date your business began trading (only needed precisely if you started within the last two tax years)
- an email address
- your National Insurance number
- your accounting period
- your accounting method

HMRC provides full step-by-step guidance if you need more detail.

3. Get started sooner rather than later

Using digital tools well in advance of your compliance date will make the changeover much easier. Starting early lets you learn the software and understand the new reporting process without pressure. You can begin using compatible accounting software now to get used to digital record-keeping. You can use the MTD scheme before it applies to your threshold.

Software for Making Tax Digital

What kind of software is needed?

You will need software that can create digital records of your self-employment income and property income and expenses. If you already use bookkeeping software, it will manage your MTD record-keeping automatically. If you use spreadsheets, you can continue using these to manage your records as you have previously, but they will now need to be digitally linked to HMRC via 'bridging software'.

Bridging software acts as a digital link between your spreadsheet and HMRC, ensuring the data is submitted in the correct format.

You will need to use software that works with MTD to:

- create, store and correct digital records of your self-employment and property income and expenses
- send your quarterly updates to HMRC
- submit your final declaration by 31 January the following year

HMRC has a list of approved software providers for MTD which you can find here:

www.gov.uk/guidance/find-software-that-works-with-making-tax-digital-for-income-tax

Or search for "HMRC approved software suppliers" on your preferred search engine.

Please note, there is also approved free software within the HMRC list.

Here at Perrys, we can work with any software, however, if you were looking for some guidance, here is a list of the most recognised software that we have experience with:

- Xero
- QuickBooks
- Freeagent
- Sage
- Hammock for Landlords

You do not need to create digital records for other income sources, but your software must be able to report them on your final declaration. This may include income such as from pensions, a partnership, savings or dividends.

Making Tax Digital - exemptions

Exemptions include:

Digital exclusion - you may be granted an exemption if it is not practical for digital tools to be used due to:

- Age
- Health condition
- Disability
- Remote location - unreliable/no internet access or reasonable access to a connection at a suitable alternative location
- Religious reasons (belief is incompatible with using digital communication)

Specific roles/status

- Trustees
- Executors
- Personal representatives, for example, for someone that has died

How to claim exemption:

You must apply to HMRC if you are **digitally excluded** - it will not happen automatically.
HMRC will not accept applications for exemptions based on:

- Only filing paper returns in the past
- You are unfamiliar with software for bookkeeping/accounts
- You have a small number of digital records to keep
- It will take you longer or cost you to sign up and abide by Making Tax Digital for Income Tax

You can apply for an exemption either by telephone or in writing or you can contact the self-assessment helpline on:

t: 0300 200 3310

Post: Self Assessment
HM Revenue and Customs
BX9 1AS, United Kingdom

Quarterly submissions and penalties

After each quarterly period has ended, your update needs to be submitted to HMRC.

The standard update periods are based on the tax year and the deadlines are:

Update period		Update deadline
6 April to 5 July	→	7 August
6 July to 5 October	→	7 November
6 October to 5 January	→	7 February
6 January to 5 April	→	7 May

Penalties:

- No penalty points will be incurred for the late quarterly filing of quarterly updates to HMRC for the financial year 2026/27 (6th of April 2026 to 5th of April 2027)
- There is no 'soft landing' for those who start their quarterly filings from April 2027, penalty points will be issued on all late filings.
- A £200 fine will be issued when a taxpayer reaches 4 penalty points
- If a taxpayer is issued a £200 fine, the points will expire when quarterly submissions are filed on time for a period of 12 months and all submissions which were due in the preceding 24 months have been received by HMRC
- Penalty points received but do not reach a £200 fine will automatically expire after 24 months
- You can only receive 1 penalty point per quarter so if you are self-employed and a landlord, late filing of both submissions will be 1 penalty point
- There is a maximum of 5 possible penalty points in a tax year as it also includes the final declaration

How Perrys can help you with Making Tax Digital

We know how stressful changes to the way you file your self-assessment can be and we are here to make this transition as simple and straightfoward as possible. So, how can we help?

- **Clear Guidance and Setup**
  We can help you choose the right MTD-compatible software, set it up correctly, and ensure your bookkeeping processes work smoothly from day one.
- **Staying Fully Compliant**
  MTD rules vary depending on whether you're VAT-registered, self-employed, or a landlord. We explain exactly what applies to you, register you at the right time, and keep you on track with all deadlines.
- **Accurate Digital Record-Keeping**
  We support you in maintaining accurate digital records, reviewing your data regularly, and ensuring everything is HMRC-ready.
- **Managing Your Returns**
  From VAT submissions to preparing for MTD for Income Tax, we handle your digital filings, ensure accuracy, and deal with HMRC on your behalf.
- **Secure, Organised Information**
  Our digital tools allow you to store and access your tax documents in one secure place, making communication and approvals quick and efficient.
- **Ongoing Support**
  As MTD evolves, we keep you informed, help you plan ahead, and provide tailored advice based on your business needs.

Our branches

With seven branches across London and Kent, we can guide you through every step of your business journey from start to finish as well as on a personal level.

If you would like us to help you with MTD, then please email us at MTD@perry-company.co.uk or call your local branch.

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