

FAQ – Making Tax Digital for Income Tax

What is MTD for Income Tax?

Making Tax Digital (MTD) for Income Tax will be a fundamental change to the Self Assessment Income Tax system taking effect from 6 April 2026. Initially it will mean individuals with over £50,000 in combined self-employment and/or rental income must:

- Keep digital records (software or Excel)
- Submit quarterly updates to HMRC
- File an End of Period Statement and Final Declaration annually (replacing the Self Assessment return)

Who does it apply to?

You will need to follow MTD for Income Tax if:

- Your combined self-employment and/or property income exceeds £50,000 per year

It does not apply to:

- People with no self-employment or rental income
- Those earning under the £50,000 threshold
- Limited companies, partnerships, or trusts (yet)

The £50,000 threshold is based on your total gross income (pre expenses), not profit.

When does it start?

The rules take effect from 6 April 2026, covering the 2026/27 tax year and beyond.

What are the key requirements?

You'll need to:

1. Submit income and expense updates every quarter to HMRC
2. File an End of Period Statement after the tax year ends
3. Make a Final Declaration to confirm your total taxable income

Quarterly updates are due by the 7th of the month following the quarter-end.

What solutions do we offer?

If you fall within the rules, you'll have three options from April 2026:

1. We do your bookkeeping monthly using MTD-approved software
 - Least admin for you
 - Most accurate
 - Our Fee: Approx 3× your current annual fee
2. You prepare and submit a completed Excel bookkeeping sheet each quarter
 - Lower cost
 - You're responsible for accuracy
 - Our Fee: Approx 2× your current annual fee (unfortunately we will still be submitting 4x the current submissions as well as admin)
3. You send us core records quarterly (bank statements & invoices)
 - We extract, summarise, and submit

Least efficient method

Our Fee: Approx 3× your current annual fee

You will need to confirm your preferred option with us before the rules come into effect.

Why are our fees increasing?

This change means we will be filing at least 4x as many submissions to HMRC each year, per client. In addition to filing, we're also taking on more administrative work, phone calls, software costs, data processing, and client support.

We've priced each option to reflect the time, complexity, and accuracy risk involved, keeping things fair and transparent.

Do I need to act now?

Not yet.

We'll contact you well ahead of April 2026 to:

- Confirm if MTD applies to you
- Finalise your preferred option
- Help you prepare any systems or spreadsheets needed

What if I don't comply?

HMRC is introducing a new points-based penalty system. Late submissions or failure to comply with MTD will result in fines.

That's why we're encouraging early planning and support.

Where can I learn more?

You can visit the HMRC website here: www.gov.uk/guidance/making-tax-digital-for-income-tax

Or feel free to contact us directly, we're here to help.