

How to get ready!

Making Tax Digital for Income Tax

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Business Customers
Making Tax Digital



HM Revenue
& Customs



Contents:

Plan for MTD: understand the rules and work out who will be affected and when

Prepare for MTD: work out who does what and make informed software choices

Use MTD: follow the rules and consider how to utilise any benefits and opportunities



Plan for MTD: understanding the rules

What is Making Tax Digital for Income Tax?

- Create, store and correct digital records of your business income and expenses
- Send quarterly updates to HMRC
- Submit your tax return by 31 January the following year

What is Making Tax Digital for Income Tax?

At the end of the tax year, you will be required to finalise your income tax position using software.

When you submit your tax return, you will declare that:

- (as now) the information you have provided is correct and complete
- and you have finalised your Income Tax position for the tax year

Plan for action

When MTD becomes a legal requirement

What is the qualifying income

What are the exemptions

Understand the rules – when is MTD a legal requirement

- You're an individual registered for Self Assessment
- You get income from self-employment or property, or both,
- and your qualifying income is more than the threshold
- You have made one or more Self Assessment tax returns.



Key dates

From 6 April 2026, self-employed individuals and landlords with income from:

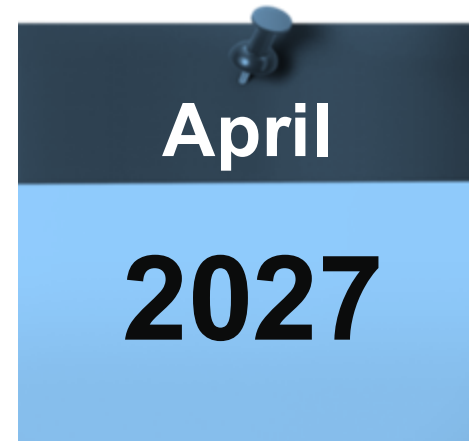
- self-employment and property that totals over £50,000 for the 2024 to 2025 tax year
- will have to keep digital records and send quarterly updates



Key dates

From 6 April 2027, self-employed individuals and landlords with income from:

- self-employment and property that totals over £30,000 for the 2025 to 2026 tax year
- will have to keep digital records and send quarterly updates



Key dates

From 6 April 2028, self-employed individuals and landlords with income from:

- self-employment and property that totals over £20,000 for the 2026 to 2027 tax year
- will have to keep digital records and send quarterly updates



What is the qualifying income?

Your qualifying income is the **total** gross income that you get in a tax year from self-employment and property.



How HMRC will assess your qualifying income

To assess your qualifying income for the tax year 2026 to 2027, we'll look at the 2024 to 2025 tax return that you need to submit by 31 January 2026.

We'll check if your qualifying income is more than £50,000.



Understanding the rules


Income from a partnership
does not count towards
your qualifying income.



Understand the rules: main exemptions

- If it isn't practical for you to use software to keep digital records or submit them, due to age, disability, location or other reason
- Practicing member of a religious society or order with beliefs that are incompatible with electronic communications.





Plan for MTD: work
out who will be
affected and when

Work out if you will be affected and when

Current tax year information

Interactive tool on GOV.UK

HMRC letters



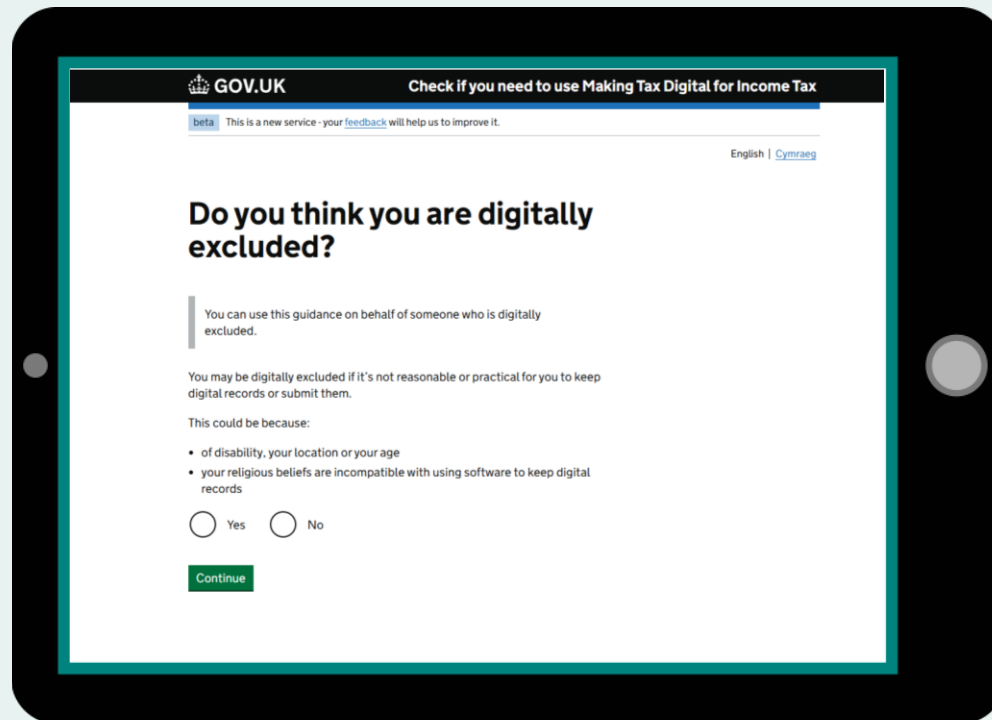
Work out if you are affected and when: current tax year information

HMRC will assess your legal requirement when you submit your 2024 to 2025 tax return.

Consider the information you have already, then decide if you need to legally sign up.



Work out who is affected and when: interactive tool



The image shows a tablet screen displaying a GOV.UK form titled 'Check if you need to use Making Tax Digital for Income Tax'. The form includes a 'beta' notice, a language selector for 'English' and 'Cymraeg', and a main heading 'Do you think you are digitally excluded?'. Below this, there is explanatory text about digital exclusion and a list of reasons: 'of disability, your location or your age' and 'your religious beliefs are incompatible with using software to keep digital records'. At the bottom, there are radio buttons for 'Yes' and 'No', and a green 'Continue' button.

GOV.UK Check if you need to use Making Tax Digital for Income Tax

beta This is a new service - your [feedback](#) will help us to improve it.

English | [Cymraeg](#)

Do you think you are digitally excluded?

You can use this guidance on behalf of someone who is digitally excluded.

You may be digitally excluded if it's not reasonable or practical for you to keep digital records or submit them.

This could be because:

- of disability, your location or your age
- your religious beliefs are incompatible with using software to keep digital records

☐ Yes ☐ No

[Continue](#)

✓ If you need to use Making Tax Digital for Income Tax

✓ When you need to start meeting your obligations

Work out who is affected and when: letters

The letter will tell you:

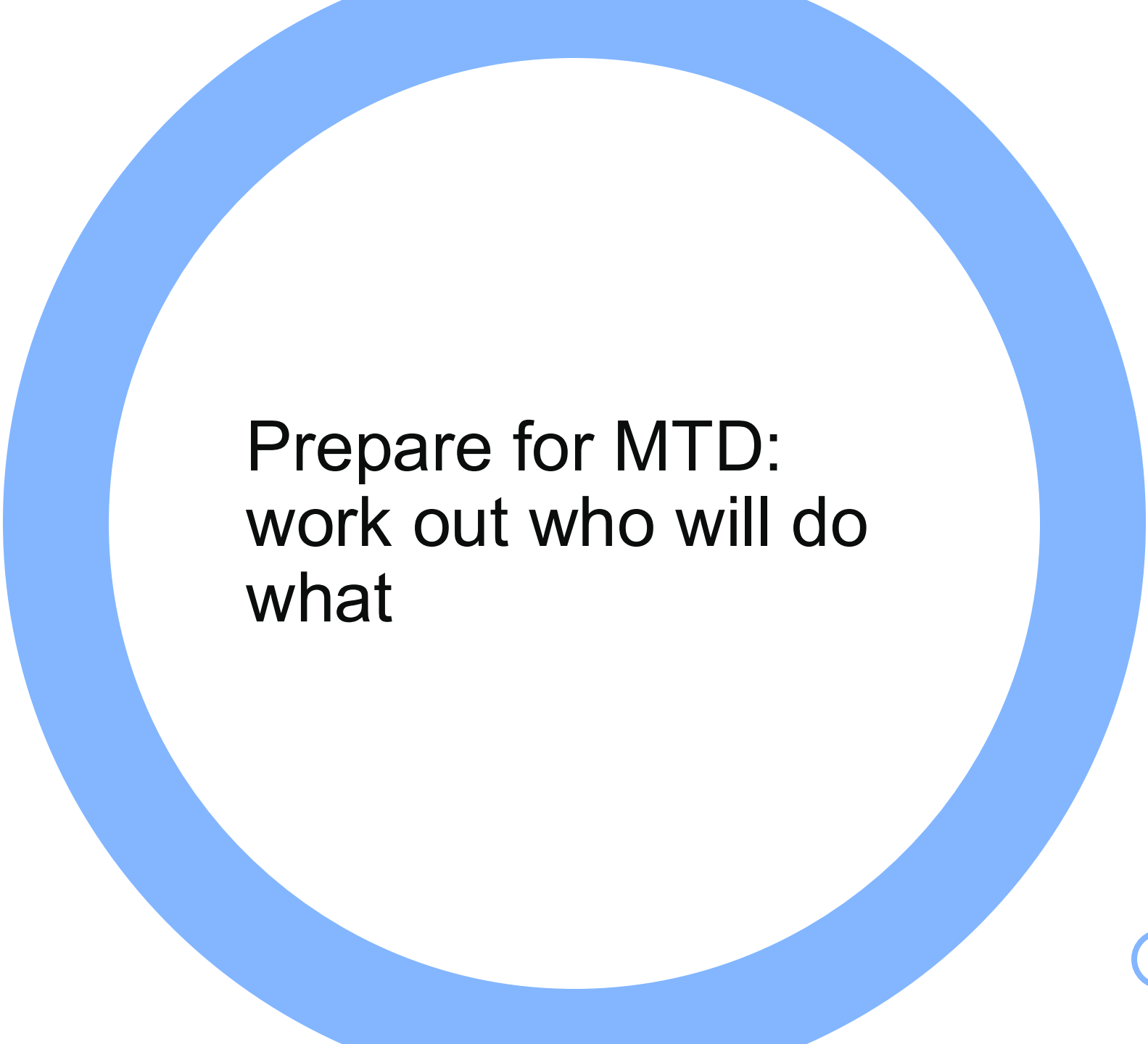
- If we think you will be required to use Making Tax Digital for Income Tax
- Give you more information about changes
- Tell you how you can get ready and involved



Action to take



You should consider your current and projected gross income from self employment, UK property and foreign property to anticipate if you will be legally required to use the service



Prepare for MTD:
work out who will do
what

Digital record keeping

At a minimum, the digital record should consist of is:

- dates
- amount
- category



Digital record keeping

You need to create and keep digital records of your self-employment and property income and use Making Tax Digital for Income Tax compatible software to:

- create the summary totals of income and expenses by category
- submit these as a quarterly update

Digital record keeping

You only need to keep digital records of your self-employment and expenses, such as:

- self-employment income — including sales, takings and fees.
- self-employment expenses — including the cost of stock, travel costs and financial costs.



Digital record keeping simplified expenses

If you're sure you'll use a simplified expenses scheme, you do not need to keep digital records of your actual expenses.

If you're not sure, you should keep digital records of all expenses.



Digital record keeping

You can choose to categorise your digital records in less detail if you have:

- total income from self-employment of less than £90,000 before expenses.

You must:

- record if a transaction is an income or an expense

Digital record keeping: Corrections

You may need to correct an individual digital record of a transaction. For example, if you:

- made a mistake when creating a digital record
- forgot to record an expense or income you received

Digital record keeping: Adjustments



You can also make some adjustments in your digital records and can choose to do this in year or at the end of the year.

Digital record keeping

Disallowable expenses

You can choose to keep a digital record of the disallowable portion of an expense in your software.

For example, you have a mobile phone bill which totals £200. The bill is made up of:

- £125 for business calls
- £75 for personal calls (which is the disallowable portion of the expense)



Digital record keeping



Disallowable expenses

If you choose to keep a record of the disallowable portion, you should create a digital record of:

- the full £200 expense
- the £75 disallowable portion

Digital record keeping

Transactions that are part capital and part revenue

If you have a transaction which is part capital and part revenue, you can either:

- record the full value of a transaction (including capital elements) — you should make an adjustment before finalising your business income
- create a digital record of just the revenue amount

For example, if you make a mortgage payment, you must create a digital record of the interest.

You do not need to create a digital record of the capital you've paid.

Quarterly updates

Quarterly updates are unadjusted summaries of categorised income and expenses submitted each quarter to HMRC using Making Tax Digital for Income Tax compatible software



Quarterly updates

Every 3 months, Making Tax Digital for Income Tax software will total the digital records and produce summaries for each income and expense category.

You'll submit these from software each quarter.




Penalties for MTD for Income Tax

Penalty



We're also introducing a fairer more proportionate penalty system based on the amount of tax you owe, and how long it takes you to pay it.

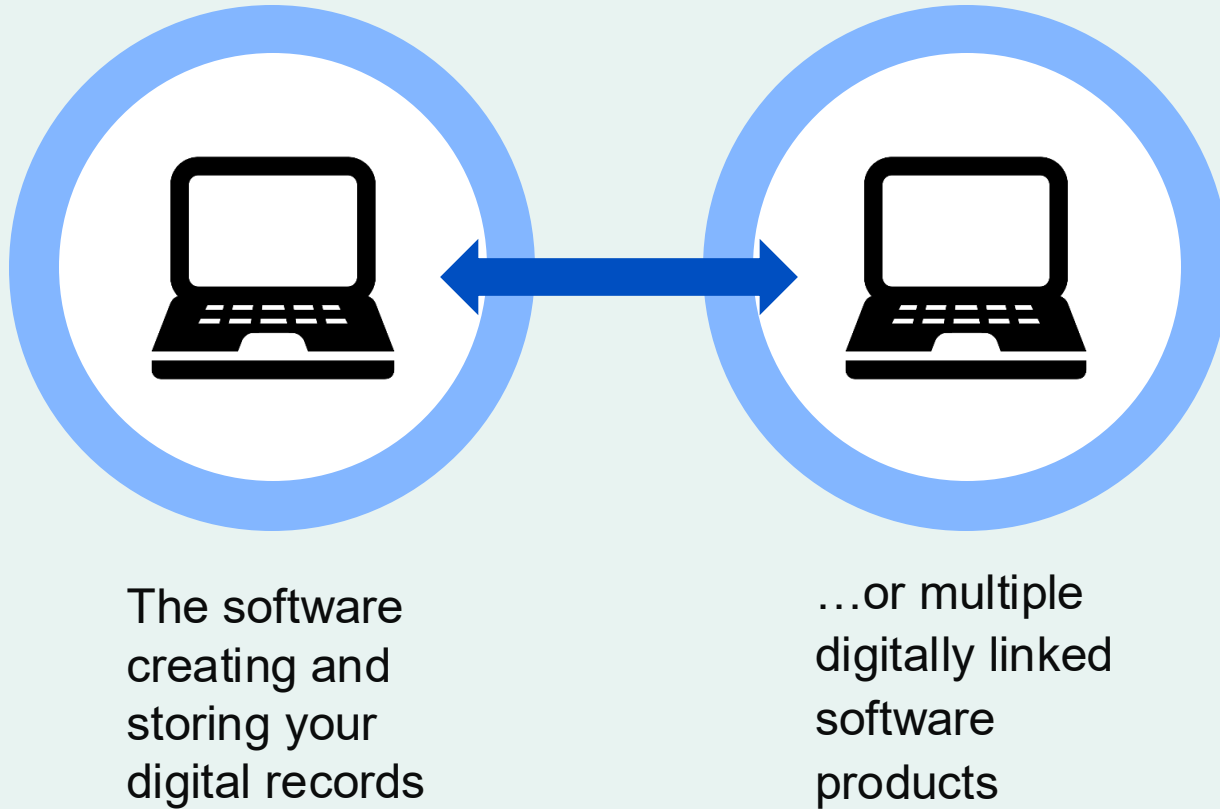


**Prepare for MTD:
make informed
software choices**

Make informed software choices

- Creating, storing and correcting digital records of your business income and expenses
- Sending quarterly updates to HMRC
- Receiving information, such as your tax estimates, from HMRC
- Submitting your end of year return to HMRC

Make informed software choices



Make informed software choices

If you use bridging software or multiple software packages, once you've created a digital record in your spreadsheet/software product, the digital records can only be transferred using a digital link.

This means you must not manually edit or move the record within the spreadsheet or to other software if it has been included in a quarterly update.



Make informed software choices

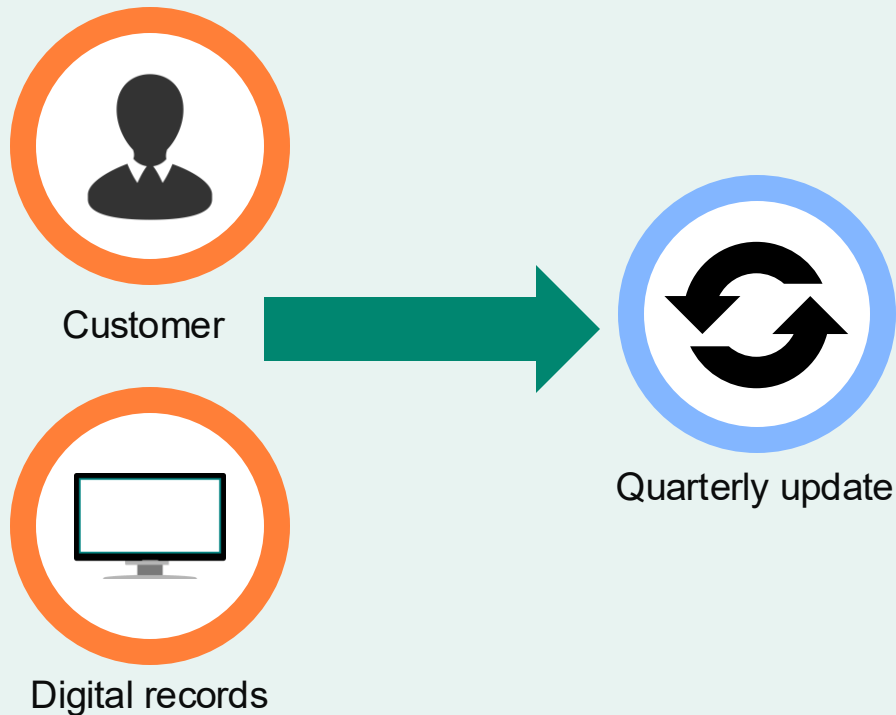


You must not:

- copy information by writing it out in another cell or in other software
- rewrite a record
- use 'cut and paste' or 'copy and paste' to move records

Make informed software choices

Mandated customer keeps digital records and sends quarterly updates



Make informed software choices

- If you already use a software product for SA or VAT, ask your provider what their plans are for Making Tax Digital for Income Tax
- Check with your provider that this software meets your needs
- Check Making Tax Digital for Income Tax's software choice page



Action to take



Make your software choices for the whole MTD journey of keeping digital records, sending quarterly updates and completing end of year - and link this to who does what.

Keep in mind other factors, including which accounting method you'll use and whether you intend to carry out in year adjustments.

Take action for MTD:
sign up for Making
Tax Digital for
Income Tax

Who should sign up and when

Making Tax Digital for Income Tax is currently voluntary

If you want to sign up at this stage, you can choose whether you want to sign up before you are legally required to do so, so you are prepared.

HMRC will check that you are eligible to sign up.

If you are not signing up early

Continue submitting a Self Assessment tax return as normal and sign up at a later date



Why sign up early



You will need to get software that works with MTD for Income Tax



Your National Insurance number



Your business start date, if this was in the last two years



Your accounting method – cash accounting or traditional accounting



The tax year you would like to start using MTD for Income Tax

Why sign up early – what you need

You'll also need:

- Your business name – this is the name you use on your invoices
- Your business address
- The nature of your business

Manage your Self Assessment service



View updates and deadlines



Add, manage or cease a business or income source



Manage your reporting frequency



See next charges due




See payments, credits and refunds



See return information

Manage your Self Assessment service

**Manage your Self Assessment**English Cymraeg

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Dex Evans

Income Tax

Unique Taxpayer Reference (UTR): 1234567890

Next charges due

31 January 2024

[Check what you owe](#)

Your updates and deadlines

Next update due: 5 August 2024

[View your deadlines](#)

Payments, credits and refunds

£400.00 is in your account

[Money in your account](#)
[Payment, credit and refund history](#)

Returns
[View your current 2024 to 2025 return](#)
[Submit your 2023 to 2024 return](#)
[View all your tax year returns](#)

Your businesses
[Add, manage or cease a business or income source](#)

Your reporting obligations


For the 2024 to 2025 tax year you need to:

- use Making Tax Digital for Income Tax
- submit a tax return

[View and manage your reporting obligations](#)

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Use MTD: Follow the
rules and consider
how to utilise and
benefits and
opportunities

Use MTD

- Using Making Tax Digital compatible software
- Keeping digital records
- Sending quarterly updates
- And submitting your tax return using Making Tax Digital compatible software



Use MTD

Digitalising our service will bring customer benefits by:

- reducing the risk of unintentional customer errors
- saving them time when they come to submit their end-of-year tax return
- supporting wider productivity and less time managing paperwork through use of digital tools
- enabling HMRC to better tailor services to customers.

Opportunity for wider digitisation



Digitalisation of business finances can reduce burden by automating routine tasks, such as invoicing and expense tracking, leading ultimately to more efficient and accurate tax processing.

Summary

Summary:

- Making Tax Digital for Income Tax becomes a legal requirement from April 2026, based on tax information for the 2024 to 2025 tax year
- If Making Tax Digital for Income Tax applies to you based on 2024 to 2025 income, you'll need to get ready to begin digital record keeping and the submission of quarterly updates from April 2026
- This should make your end of year submission process easier

Summary



Plan for action: consider how you can use MTD as a catalyst for wider change.

Summary:

Plan for MTD: understand the rules and work out who will be affected and when

Prepare for MTD: work out who does what and make informed software choices

Use MTD: Follow the rules and consider how to utilise any benefits and opportunities