

HMRC is changing the way self-employed individuals and landlords report their taxes!



HMRC is introducing Making Tax Digital (MTD) for Income Tax, which will change how self-employed individuals and landlords report their income. Traditional Self-Assessment tax returns are being phased out and tax reporting will become more frequent and fully digital.



What does this change mean?

Under MTD, annual Self-Assessment tax returns will be replaced by quarterly reporting and a digital end-of-year submission. You will be required to:

1

Report your income and expenses quarterly to HMRC using compatible digital software

2

Maintain digital records - paper records will no longer be accepted

3

Submit an 'End of year final declaration' - this will replace your traditional tax return

Who will this affect and when will it affect you?

This change will apply to self-employed individuals and landlords with annual income above specific thresholds:

From  2026

All those who are self-employed or landlords with a total relevant income over £50,000.

From  2027

All those who are self-employed or landlords with a relevant total income over £30,000.

From  2028

All those who are self-employed or landlords with a total relevant income over £20,000.

What counts as relevant income?

Relevant income is your total gross income from self-employment and/or property rental before expenses. If you receive £50,000 or more in rental income, even if you have a mortgage and expenses of £40,000 you will need to comply.

What if you have other income?

If you receive other income such as PAYE salary, dividends, pensions or investment income this will need to be declared and included in your final submission at the end of the tax year.

What do you need to do?

Whilst April 2026 may seem some time off, you will need to prepare for the change and you will need to consider if you are:

Going to complete the quarterly returns yourself using digital accounting software such as Xero or more specialist landlord software such as Hammock

or



If you would like us as your professional advisers to complete the quarterly returns on your behalf

We will assist with completing your end of year final declaration and as part of this we will look to ensure it takes into account all income, as well as allowable expenses and deductions.

As you will appreciate the introduction of MTD for income tax will increase administration and require more of all our time. We would therefore kindly ask that you discuss with us how you would like to manage the reporting changes so that we can ensure we are well prepared and placed to look after you and all our clients as the new process and reporting is introduced.

The benefits of not waiting until the deadline

Whilst you may think the need to do something is some time off, there are a host of benefits of acting sooner, not least peace of mind. These include:

- You are not under pressure when the changes kick in
- You can spread the learning curve out with no last-minute panics
- You can start benefiting from the financial visibility and planning this offers sooner
- We are better placed to support you

We are here to help

We appreciate the introduction of Making Tax Digital for income tax might be daunting and yet another administrative headache. As your professional adviser we are on hand to support you. In the run up to its introduction we will ensure we keep you informed of any changes and developments, along with further details of the services we provide. In the meantime, if you have any queries or questions, please speak to your usual Streets contact.



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