Making Tax Digital (MTD)

What you need to know

Making Tax Digital (MTD) is a UK government initiative aimed at modernising the tax system by requiring digital record-keeping and submission of tax information using compatible software. HMRC has been phasing in MTD requirements over several years, but it becomes mandatory for many self-employed traders and landlords to use it from 6 April 2026.

Who is affected?

You will be required to use MTD for Income Tax if:

- You are a sole trader or landlord registered for Self-Assessment.
- You earn income from self-employment, property, or both.
- Your qualifying income exceeded:
  - £50,000 in the 2024–25 tax year (start using MTD from 6 April 2026).
  - £30,000 in the 2025–26 tax year (start using MTD from 6 April 2027).
- Plans are in place to lower the threshold to £20,000 in future years.

Exemptions may apply if:

- Your income is below the threshold.
- You meet specific criteria (e.g. age, disability, or location) and you apply for exemption.

Even if you are obliged to use MTD and you have no other sources of UK income to report, for the time being you will still be required to submit a Self-Assessment Tax Return each year.

The MTD process

We would be able to register for the service as your agent, but you may wish to sign up to use the service yourself. Please follow the link below for the page on HMRC's website giving information on how to do this.

Sign up for Making Tax Digital for Income Tax - GOV.UK

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Under MTD, you must use third-party software to:

- Keep digital business records.
- Submit quarterly updates to HMRC.
- File your end-of-year final declaration.

There are basically three types of software applications available.

- "Full feature" enables you to maintain your accounting records using them and to submit the quarterly updates and annual tax return online.
- Others offer record-keeping and submission of quarterly updates but not the annual tax return.
- Bridging (submission) software that will allow you to submit updates from a spreadsheet or external accounting software that you may already use but is not itself compatible with MTD. All bridging products have functionality for quarterly updates, and many have functionality for an annual return.

The government has undertaken that free MTD for Income Tax software will be available to taxpayers with the most straightforward tax affairs, but they are still to clarify exactly what this will be and what functionality it will have.

If you would like to handle MTD yourself, HMRC has a list of recognised software providers on their website.

There is every indication that April 2026 will be a "hard" start date for MTD for taxpayers who meet the criteria, so it is important to decide on the solution best suited to your needs well before this deadline.

Quarterly reporting periods under MTD

Quarter	Period Covered	Submission Deadline
Q1	6 April – 5 July	5 August
Q2	6 July – 5 October	5 November
Q3	6 October – 5 January	5 February
Q4	6 January – 5 April	5 May

You will also be required to submit:

- End of Period Statements (EOPS) – A final confirmation of income and reliefs
- Final Declaration – Replaces your current annual Self-Assessment

You will need to submit a separate set of quarterly updates for each business or rental property income source.

Tax payment deadlines

Although MTD changes how you report income, payment deadlines remain the same:

- 31 January: Final balancing payment for the previous tax year and first payment on account for the current year.
- 31 July: Second payment on account for the current year.

How to pay HMRC

You can pay your tax bill to HMRC using several methods:

- Online or telephone banking (Faster Payments, CHAPS, or Bacs).
- Debit or corporate credit card online.
- Direct Debit (single or recurring).
- Bank or building society (if you still receive paper statements).
- Cheque through the post (though this is being phased out).

Always use your 10-digit Unique Taxpayer Reference (UTR) as the payment reference.

Next steps:

- ☐ Review your income to determine if you meet the threshold
- ☐ Choose compatible software
- ☐ Decide whether to manage MTD yourself or through Ecovis, as agent
- ☐ Ensure digital records are up to date
- ☐ Register for MTD (if applicable)

How We Can Help

We already work with a number of businesses using different software for accounting and VAT filing and several software providers have a facility to allow us to manage the MTD process on your behalf for an agreed fee, which will cover:

- Setting up your digital records.
- Managing quarterly submissions
- Ensuring compliance with HMRC deadlines.

If you have any questions, please contact:

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