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Making Tax Digital – The Basics



- MTD will require self-employed businesses and landlords to submit quarterly summaries of their business and/or rental income and expenses to HMRC.
- This will be done using an MTD compatible software – e.g. Xero
- Overall objective of MTD is to reduce reporting errors and simplify the tax system.

Thresholds



- From April 2026, landlords with income greater than 50K will be required to follow the rules of MTD.
- From April 2027, threshold will reduce to £30K.
- By April 2029, any individual with an income of £20K or more will be required to report.
- Individuals will be required to sign up, process is not automatic. HMRC will be sending letters to advise those who reported £50K or more in rental income in their 2023/24 Tax Returns.
- The threshold for MTD includes both rental and self - employment income. For example, if an individual earns £25K in trading income and rental income of £25K the combined total exceeds the threshold and will result in MTD reporting.

Reporting



Quarters	Period Covered	Filing Deadline
1	6 April – 5 July	7 August
2	6 April – 5 October	7 November
3	6 April – 5 January	7 February
4	6 April – 5 April	7 May

- Income and expenses are reported cumulatively.
- Adjustments can be made in subsequent returns rather than amending a submitted return

Final Submission



- The final declaration should be submitted by 31st January following the relevant tax year.
- It will tie in all business and personal information needed to determine the individual's tax liability for the year. This will include what has previously been shown in the quarterly summaries along with anything that needs to be rectified plus details of other income and other declarations. Eg pension contributions.
- This does not need to be submitted on the same software as the quarterly submissions.

Scenario 1



Theodore and Daisy own 5 properties jointly and are unsure about how this should be reported quarterly under the new MTD rules.

- HMRC have proposed 'relaxed' reporting requirements for landlords that own properties jointly. They can choose to declare their share of income on a quarterly basis and declare their share of expenses on the final submissions.
- Xero are working on new functions in their software to enable individuals to declare their share of jointly owned property income.

Scenario 2



Queenie is 84 years old and is not capable of using technology. She owns three properties and is aware she will be exceeding the threshold for MTD. She is starting to get really stressed about the thought of reporting on a software and wants to understand her options.

- HMRC have suggested exemptions for MTD whereby the individual will not have to comply due to age, disability, remoteness of location or if the business is run entirely by practising members of a religious society whose beliefs are incompatible with using electronic communications.
- Where any of the exemptions apply, the individual will have to apply to HMRC for an exemption. HMRC have 28 days to either grant or deny the application.

Scenario 3



Oscar is new to using a software to track his income and is keen to start with the MTD procedures now to prepare for April 2026. He would like to know how he goes about doing this.

- It is possible to sign up to MTD in time for April 2025. This will be under a 'testing phase' where you will receive dedicated support from HMRC. This will include a direct phone line to the MTD team.

Scenario 4



Reya has had a really busy year and, as a landlord who is required to report quarterly under MTD, has not submitted her last three returns. She is concerned that she will be heavily penalised for this and wants to understand HMRC's penalty system.

- HMRC have suggested a penalty points system similar to VAT whereby an individual has three 'chances' before penalties are issued.
- An individual will receive one point each time the deadline is missed and will receive a fine of £200 from the 4th late submission onwards.
- Their points record will expire after two years.
- Reya will therefore not suffer a penalty but will do next time a submission is missed.

Scenario 5



Dave has recently sold a property and his rental income has dropped below the threshold for MTD but plans to buy three more properties in the next few years. He has enquired whether he needs to report quarterly for the years his income has reduced.

- To exit MTD and therefore stop reporting quarterly, Dave must be below the threshold for three successive years. As he is planning to buy more properties which will likely result in exceeding the threshold in the near future, he will be required to continue to comply.
- In any instance, records must continue to be kept for at least five years.

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