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PREPARING FOR MTD
ARE YOU AFFECTED AND IF SO, WHAT YOU NEED TO DO NOW?

Making Tax Digital for Income Tax is one of the most significant changes to personal tax reporting in recent years. Although the new rules take effect from April 2026, many self-employed individuals and landlords will need to register before 5 April 2026, making early preparation essential.

WHO WILL BE AFFECTED

MTD for Income Tax will apply to self-employed individuals and landlords whose qualifying income exceeds £50,000 per year (based initially on your relevant income for the tax year 2024-25).. Qualifying income means gross income from self-employment and UK property, before expenses are deducted.

If your combined gross income from these sources is more than £50,000 for the relevant tax year, you will be required to join MTD for Income Tax from 6 April 2026. HMRC expects affected taxpayers to register before 5 April 2026.

From April 2027, the rules will extend to those with qualifying income over £30,000, but the immediate focus is on those above the £50,000 threshold.

WHAT WILL CHANGE

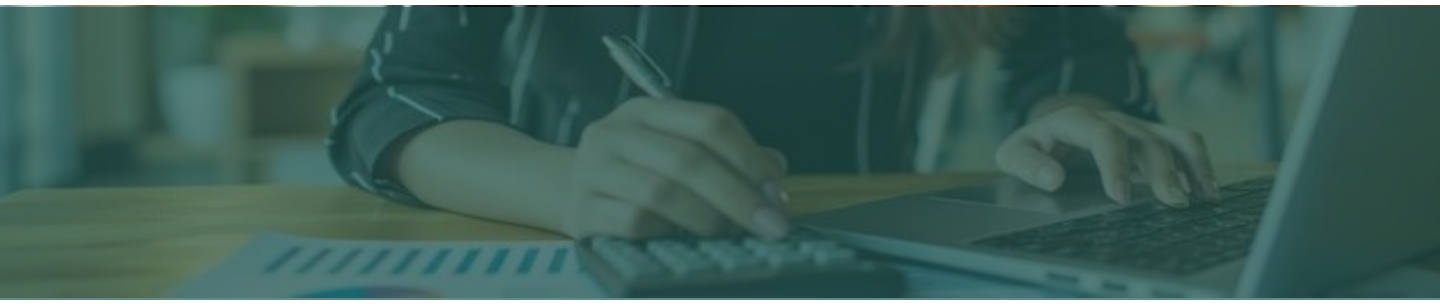
Under MTD for Income Tax, affected taxpayers will need to keep digital records and submit quarterly updates to HMRC using compatible software. These updates are summaries of income and expenses, not tax calculations.

At the end of the tax year, an end of period statement will still be required, followed by a final declaration. The annual tax return is not being abolished, but the way information is gathered and reviewed during the year will change significantly.

COMMON MISCONCEPTIONS

A frequent misunderstanding is that MTD only affects how figures are submitted to HMRC. In practice, it often requires changes to bookkeeping habits, systems, and routines. Businesses that currently rely on spreadsheets, paper records, or year-end catch up work may need to make adjustments.

Another misconception is that quarterly updates mean paying tax quarterly. This is not the case under the current rules. Payment dates remain unchanged.



WHAT YOU CAN DO NOW

If you need to register, a sensible starting point is to review your current record keeping. If you already use accounting software and keep records up to date, the transition may be straightforward. If records are incomplete or delayed, addressing this early can reduce pressure later.

It is also worth considering who will manage the quarterly updates and how much support you will want from your accountant. Agreeing this in advance avoids uncertainty once the rules go live.

HOW WE CAN HELP

MTD for Income Tax is not just a compliance change. Done well, it can provide better visibility over income, expenses, and cash flow during the year. We can help with software selection, setup, ongoing bookkeeping support, and quarterly reviews to make the process manageable.

If you feel this alert could help a business colleague or family member, please feel free to share it with them. Call us on **01753 888 211** or email **info@nhllp.com**, we are here to help.