

MAKING TAX DIGITAL FOR (SOME) LANDLORDS ... 1st FILING DUE IN AUGUST 2026!

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Making Tax Digital for Income Tax or 'MTD' for short, is a change in the way that some landlords will manage their personal income tax compliance. This article looks at what is involved, when and how to prepare for MTD, and timescales.

Start from the beginning ...
What's MTD all about?

MTD is an HMRC project intended to

modernise the reporting of income and related income tax, to improve accuracy, and to simplify the income tax system.

MTD for VAT has been in place for some time, and now income tax is next in line for the MTD project. MTD will affect 'non-incorporated' taxpayers, i.e., individual landlords and self-employed people. Companies and partnerships (including LLPs) are not included in this phase of MTD (though they are likely to be at some future point).

Am I affected? It depends on your 2025 tax year gross income (rents) ...

MTD is being rolled out from April 2026 for landlords with gross rental income over £50k. From April 2027, landlords with gross rental income over £30k will be affected, and then from April 2028, landlords with gross rental income over £20k will have to comply with MTD.

For the first 2026 MTD phase, the basis for the gross rental income threshold will be the figure filed in the 2025 tax year (i.e., the 2024/25 tax year, covering the period 6th April 2024 to 5th April 2025). This will be on a per-person basis, so if, for example, a couple has £110k of 2025 tax year gross rental income split equally, both taxpayers will be subject to MTD from April 2026 (as half of £110k is more than £50k).

Note that the income figure includes rental and self-employment income, before expenses or mortgage interest. So, income from other sources, such as employment or pension



or dividend income, is excluded from the income threshold check.

OK, I understand—what is involved exactly?

The new MTD regime will require income and expense details to be kept 'digitally.' In practice this means Excel spreadsheets or software must be the data source (so hard copy paper is not good enough).

For my own firm, all of our clients use an Excel spreadsheet designed by us or accounting software such as Xero, and so in terms of how financial data is held, there won't be any change. The only aspect that will change will be that the spreadsheets will need to be linked by us to MTD-compliant software to allow loading into the new HMRC system. This is something that we are well used to by now for VAT, as MTD for VAT has been in place since 2019.

How often are MTD submissions required?

An MTD 'Quarterly Update' (as they are to be called) will be required every 3 months, submitted via MTD-compliant software within 1 month of each quarter-end. The Quarterly Update includes summary data only, not individual transaction-level data. This is not a tax return as such; it is simply a high-level income and expense figure, without any tax planning or accounting adjustments.

The first landlords to be affected will be those with a 2025 tax year gross rental income of £50k or more, with the first MTD update to be filed by 7th August 2026.

The filing deadlines are as follows:

Update period	Update deadline
6 April to 5 July	7 August
6 April to 5 October	7 November
6 April to 5 January	7 February
6 April to 5 April	7 May

After MTD for income tax becomes a legal requirement, penalties will apply for late submissions. Any errors or omissions can be corrected in a subsequent quarterly update—there is no need to correct previously filed updates.

How does MTD tie in with the annual tax return process?

The fourth and final quarterly update for a tax year will cover the last three months of the tax year, i.e., 6th January to 5th April. Then, non-rental income and other tax adjustments/reliefs/claims can be submitted, and the annual tax return filed in the usual way (though the submission itself is via MTD-compliant software).

The tax return and payment are still due by 31st January each year (plus the 31st July payment on account if required).

What's next?

Speaking for our own client base, we will be compiling a list of personal tax clients (individuals) whose 2025 gross rental income is over £50k. As ALL 2025 tax returns won't be filed until 31st January 2026, we won't have the full list of clients until then.

Once we have the full picture of which clients are affected by the first phase of MTD for Income Tax, we will then provide a simple Excel template for clients to complete each quarter, with support to assist completion, and a timetable to ensure we review the data together before we then submit on time using our MTD-compliant commercial software.

One final thing to be aware of ... as personal tax returns are being filed for tax year 2025, the HMRC system will send out automated letters to clients directly where the 2025 tax return shows gross rental income above £50k. No action is needed where such a letter is received until the April 2026 date when the new MTD regime begins.



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