



My Accountancy People
Achieving better results today

Making Tax Digital for Income Tax: What must be filed?

With Making Tax Digital (MTD) for Income Tax starting from April 2026 for those with gross income before expenses over £50,000 (then £30,000 from 2027 and £20,000 from 2028), many clients are asking a simple question:

What exactly do I have to file?

For each quarter, affected sole traders and landlords are mandated to submit:

- Total business or property income for the period
- Total allowable expenses for the period
- A calculation of profit or loss

This is submitted digitally using HMRC-compatible software. It is not a full 'tax return' rather it is a summary update of trading or property figures.

These quarterly submissions give HMRC (and the taxpayer) an in-year estimate of taxable profit.

Under MTD for Income Tax, the income threshold is tested on the aggregate, but the quarterly updates are submitted by business source.

What does “per business/property source” mean?

HMRC treats different income streams as separate “businesses” for MTD reporting purposes.

MTD requires you to make a quarterly submission for each of your trades, plus one for ALL your UK property income, and one for any overseas property income.

That broadly means:

Property income

Property is treated as a separate source from trading income.

So, if you have:

- Two different trades, and
- Three UK properties

You would submit:

- Quarterly updates for EACH of the trades, and
- Quarterly updates for All the UK properties.



My Accountancy People
Achieving better results today

UK vs overseas property

For UK tax residents:

- UK property income is one property business.
- Overseas property income is treated as a separate property business.

So, a landlord with UK rentals and a Spanish rental property would typically have:

- One UK property quarterly update, and
- One overseas property quarterly update.

That is why early software setup and proper bookkeeping structure is critical, particularly for portfolio landlords or multi-trade sole traders.

The Final Declaration (year-end)

After the tax year ends, a final declaration is required. This is the tax return and replaces the traditional Self-Assessment return.

It confirms:

- Finalised business or property profits
- Any accounting adjustments
- Other income (e.g. dividends, interest, pensions)
- Reliefs and claims
- The final tax liability

This is the legal confirmation of your overall tax position for the year.

What doesn't change

- Tax payment dates remain 31 January and 31 July (where payments on account apply).
- Limited companies and partnerships are not within scope of MTD for Income Tax.
- The income thresholds are based on gross income before expenses, not profit.

Why this matters

MTD is not simply “more admin”. It fundamentally shifts reporting from annual to quarterly. That means:

- Digital record-keeping becomes mandatory
- Bookkeeping must be up to date
- Tax visibility becomes more real-time



My Accountancy People
Achieving better results today

For well-organised businesses, this improves control. For those relying on year-end reconstruction, it requires a complete change in approach.

Preparation well ahead of your start date will make the transition significantly smoother.

What gets aggregated for the MTD threshold

HMRC looks at **gross qualifying income before expenses**, including:

- All self-employment income (across multiple trades if you have them)
- All UK property rental income
- Foreign property income if you're UK tax resident

These figures are combined to determine whether you exceed the threshold (£50k from April 2026, £30k from 2027, £20k from 2028).

If you have:

- £35,000 self-employment income
- £20,000 rental income

Your qualifying income = **£55,000 gross**, so you would fall into MTD from April 2026.

What does NOT count towards the threshold

These are still reported at year-end but don't trigger MTD entry:

- Dividends
- Interest income
- Employment income
- Pension income
- Capital gains

If you would like a practical discussion about how MTD for Income Tax will affect your business or property portfolio, feel free to get in touch for a free 30-minute consultation.



My Accountancy People
Achieving better results today



My Accountancy People Limited

167-169 Great Portland Street, 5th Floor, London, W1W 5PF

<https://myaccountancypeople.com/>

020 3918 8748