Kluk Consultancy Ltd
consultancy@kluk.co | +44 20 8129 9024 | kluk.co

Making Tax Digital for Income Tax

A practical 2027 readiness handout for landlords and self-employed individuals

Executive summary

From 6 April 2027, landlords and sole traders with qualifying income over £30,000 in 2025/26 must move from one annual tax process to quarterly digital reporting. In practice, plan for at least five reports a year per income source: four quarterly updates plus the annual tax return. Filing must be through HMRC-compatible software. Spreadsheets can still be used, but only when they are linked to HMRC through compatible bridging software.

At a glance

Question	Answer
Who joins next?	Individuals in Self Assessment with qualifying income over £30,000 from self-employment, property or both in 2025/26.
When?	6 April 2026 for over £50,000 (2024/25 income); 6 April 2027 for over £30,000 (2025/26); 6 April 2028 for over £20,000 (2026/27).
What must change?	Digital records, quarterly updates and the annual return, all through compatible software.
Risk of waiting?	Rushed set-up, messy records, missed deadlines, avoidable penalties and higher clean-up costs.

What is changing in practice

- **Quarterly reporting replaces the once-a-year mindset.** You send HMRC quarterly updates, then complete the annual return through software.
- **Compatible software becomes central.** You or your agent must use it to keep and submit records.
- **Spreadsheets need a digital link.** A spreadsheet on its own is not enough; it must connect to HMRC through compatible bridging software.
- **More income streams mean more admin.** If you have both self-employment and property income, each has its own quarterly updates.
- **Keep business and personal transactions apart.** A separate bank account is not compulsory, but mixed accounts make digital records much harder to keep accurately.

Returns versus tax payments

MTD for Income Tax is a reporting change, not a VAT-style quarterly payment regime. You send HMRC information every quarter, but income tax is still paid on 31 January and 31 July.

Think of it in two parts: quarterly digital reporting plus the annual return on one hand, and the normal payment timetable on the other. Budget more actively, because HMRC will see your figures more often. MTD payments may move closer to VAT-style timing at some future stage.

Who needs to use MTD and when

Start date	Who is brought in	Threshold test
6 April 2026	Landlords and sole traders already in Self Assessment	Qualifying income over £50,000 in 2024/25

Start date	Who is brought in	Threshold test
6 April 2027	Next phase	Qualifying income over £30,000 in 2025/26
6 April 2028	Further extension	Qualifying income over £20,000 in 2026/27

Qualifying income is gross self-employment turnover plus gross property income, before expenses. Salary, pensions and dividends do not count.

Example: £24,000 of rent plus £8,000 of freelance fees in 2025/26 makes £32,000, so this person joins from 6 April 2027, even though each figure is under £30,000.

Exemptions and points to check

Exemption from MTD does not mean exemption from tax reporting. It means you stay within the existing Self Assessment return.

You are generally exempt if:

- your qualifying income is under the threshold that applies to you
- you do not have a National Insurance number
- you file on behalf of a non-resident company, or as a trustee (including a charitable trustee or trustee of a non-registered pension scheme)
- you are the personal representative of someone who has died
- you are a Lloyd's member reporting income from your underwriting business
- you cannot use digital tools because of age, disability, location or another reason (you may need to apply)
- someone acts for you under an enduring or lasting power of attorney, or a court-appointed deputy

Not required to join until further notice (October 2026 Budget):

- foster and kinship carers claiming qualifying care relief
- non-UK resident foreign entertainers and sportspeople
- expected non-resident taxpayers
- taxpayers for whom HMRC cannot yet provide a digital MTD service

If you are unsure whether you are exempt, do not guess. The rules are technical and should be checked before assuming MTD does not apply.

Your new reporting cycle

Touchpoint	What it means
Quarterly updates 1–4	Four software submissions of income and expenses during the year.
Annual tax return	Filed through compatible software by 31 January after the tax year.

Standard quarterly deadlines

Period covered	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

Penalties

- **First-year soft landing:** no penalty points for late quarterly updates in your first year: 2026/27 for April 2026 joiners, and 2027/28 for April 2027 joiners (confirmed in the October 2026 Budget).
- The soft landing does not cover the annual tax return or late payment of tax.
- You must still send all quarterly updates before you can file the annual return.
- After the first year: one point for each missed deadline, and a £200 penalty once you reach four points.

Checklist

☐ Check your 2025/26 tax return: is your qualifying income (self-employment turnover plus gross rents) over £30,000?

☐ Decide whether you will run the software yourself or appoint an agent to do it for you.

☐ Choose compatible software and test the workflow before 6 April 2027.

☐ Separate business and personal transactions, and record ownership splits on jointly owned property.

☐ If you are both a landlord and self-employed, map the separate reporting streams.

☐ Book implementation support early.

How we can help

Option	How Kluk helps
Software only	QuickBooks MTD software set up for you, so you can run the process yourself. From £24 a month.
Do it for me	We handle quarterly bookkeeping and updates for you. From £100 a month (annual tax return not included).
Consultation	For landlords with mixed ownership, companies, transfers, short-term lets or wider tax planning questions: a review before you commit.

Ready before April 2027?

Request a free 20-minute call: kluk.co/contact/?service=making-tax-digital

See the plans: kluk.co/making-tax-digital

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Special note for landlords

For landlords, MTD is more than four quarterly updates. HMRC will see your figures quarterly, which makes gaps and inconsistencies easier to spot. Rental records must be kept digitally and filed through compatible software, not pulled together once a year.

- **One property in your name:** it forms your UK property business. Keep digital records and report through MTD software.
- **Several properties in your name:** HMRC generally treats them as one UK property business, so one combined quarterly property update, not one per property. Your records must still support the figures.
- **Jointly owned property:** each owner is a separate taxpayer and reports their own share. This is one of the biggest traps for couples, families and co-investors.
- **Summarised figures:** where the rules allow, some landlords below the VAT threshold can submit totals of income and expenses each quarter rather than a full breakdown. Proper digital records must still sit underneath.

- **Landlord and self-employed:** the test combines property and self-employment income, so moderate rents plus a separate trade can bring you in sooner than expected.
- **Short-term lets (e.g. Airbnb):** usually property income, but the treatment depends on the facts and should be checked.

Landlords using companies

Property owned through a limited company is not within MTD for Income Tax, because it applies to individuals with self-employment or property income, not to companies paying corporation tax.

That does not make company ownership automatically better. Restructuring can trigger SDLT, CGT and inheritance tax consequences. Any review of personal versus company ownership, or of transferring a portfolio, should look at Section 24, SDLT, CGT, IHT and the April 2027 tax changes together. Our separate note, Buy-to-Let: Private vs Company Ownership Financial Reality Check (2026–2031), covers this in more detail.

Key HMRC and GOV.UK sources

- Find out if and when you need to use Making Tax Digital for Income Tax
- Penalties for Making Tax Digital for Income Tax
- Exemptions from Making Tax Digital for Income Tax
- Digital record keeping guidance

This handout is a concise overview for marketing and educational use, current at November 2026. Specific filing, ownership, residence and exemption questions should be reviewed against your circumstances before action is taken.