

Making Tax Digital – Quick Guide

Making Tax Digital (MTD) is HMRC's initiative to digitise the UK tax system starting from 5 April 2026.

Currently it applies to Sole Traders and Landlords based on:

- Self-assessment
- Turnover on a phased basis:

2026	Turnover over £50,000 in 2024/25
2027	Turnover over £30,000 in 2025/26
2028	Turnover over £20,000 in 2026/27 (TBC)

For MTD, turnover consists of your gross receipts from your sole trade & your share of any gross rents from UK or overseas properties. Those affected must:

- Maintain digital records using compatible digital software
- Submit quarterly updates
- Submit a final annual return
- Meet all deadlines

Separate submissions are required for each income source - if individuals have a sole trade and a rental business, 2 returns per quarter will need to be completed. We would recommend that clients set up a separate bank account for each sole trade / rental business.

If you are affected you must register for MTD via HMRC's online portal.

Deregistration

You can only deregister from MTD after 3 tax years below the threshold and ceasing to trade or selling property doesn't exempt you. You will likely still need to file MTD Returns if your 2024/25 gross income from property and/or self-employment was over £50,000.

Penalties

Missing deadlines may result in penalty points, which can lead to fines. HMRC have introduced a new points-based penalty scheme for individuals caught by MTD.

There are also penalties for late filing, insufficient record keeping or deliberately withholding information. Continued...

Contact your team at Galloways today!

Just call us on 0800 012 9190 or email us

Disclaimer: The information provided is for general guidance only, does not constitute professional advice, and is not a substitute for consulting a qualified accountant or other professional for specific circumstances.

Exemption

Exemption from MTD is available in limited circumstances, in particular where it is not reasonably practicable to use digital tools due to age, disability, remote location, or religious beliefs.

If you think an exemption applies to you, this needs to be in place by 6 April 2026

Deadlines

Q1: 5 Apr to 5 Jul - 7 Aug

Q2: 6 Jul to 5 Oct - 7 Nov

Q3: 6 Oct to 5 Jan - 7 Feb

Q4: 6 Jan to 5 Apr - 7 May

The Final Declaration is due by 31 January following the end of the tax year - this replaces the traditional Self-Assessment return.

Get in touch with your usual contact at Galloways for help.