Zen
BOOKKEEPING & ADVISORY

04



FREE GUIDE · 2026/27 · UPDATED OCTOBER 2026

Making Tax Digital for Income Tax

What it means for sole traders and landlords, who it applies to, the new deadlines and how to get ready

Zen Bookkeeping & Advisory
Less Stress, More Success
zenbookkeepingandadvisory.co.uk · 01752 427280

Making Tax Digital for Income Tax (MTD for Income Tax) is the biggest change to how self-employed people and landlords report their income in decades. Instead of one tax return a year, you'll keep digital records and send HMRC quarterly updates. It began in April 2026 for those with the highest incomes and is being extended over the next two years. This guide explains exactly what it means for you.

> *"I started Zen to make finance feel calm and clear for business owners. I hope this guide answers your questions, and if anything doesn't quite fit your situation, I'm always happy to talk it through with you."*
>
> **Ann Williams**
> Founder, Zen Bookkeeping & Advisory

In this guide

01 Who does it apply to?
02 What changes
03 Making Tax Digital for landlords
04 Penalties: the new points system
05 If you have more than one business
06 Choosing the right software
07 Your step-by-step plan to get ready

01 Who does it apply to?

MTD for Income Tax applies to **sole traders** and **landlords** who are registered for Self Assessment, based on their **qualifying income**:

From	If your qualifying income is over	Based on your tax return for
6 April 2026	£50,000	2024/25
6 April 2027	£30,000	2025/26
6 April 2028	£20,000	2026/27

Qualifying income is your total **gross** income (turnover, before expenses) from self-employment and property combined. It doesn't include employment income, pensions, dividends or savings interest.

✦ Example

Sarah earns £32,000 from her hairdressing business and £22,000 in rent from a buy-to-let flat. Her qualifying income is £54,000, so MTD applies to her from April 2026, even though her profit is much lower.

If you own a property jointly, only your share of the rental income counts. Partnerships aren't included yet, and some people are exempt, for example if it isn't reasonably practical for you to use digital tools because of age, disability, location or another reason. You can apply to HMRC for an exemption.

02 What changes

Before MTD

- Keep records any way you like
- File one Self Assessment tax return a year
- Often everything is done in January

With MTD

- Keep **digital** records in MTD-compatible software
- Send HMRC a **quarterly update** of income and expenses
- Submit a **final tax return** by 31 January

Quarterly updates are summaries of your income and expenses, not full tax returns. You still claim allowances, reliefs and adjustments in your final return at the end of the year. Your tax payment dates (31 January and 31 July) stay the same.

The quarterly deadlines

Quarter (standard periods)	Update due by
6 April to 5 July	7 August
6 July to 5 October	7 November
6 October to 5 January	7 February
6 January to 5 April	7 May
Final tax return for the year	31 January following the tax year

You can choose calendar quarters (for example 1 April to 30 June) instead, and the update deadlines stay the same.

4
quarterly updates a year for each business or property income

7th
of the month after each quarter: update deadline

31 Jan
final tax return and payment deadline

03 Making Tax Digital for landlords

- **Jointly owned property:** only your share of the rental income counts towards your qualifying income. Each owner who is over the threshold keeps their own records and sends their own updates.
- **All your property counts together:** UK and overseas property income are added to any self-employed income to see if you're over the threshold.
- **Holiday lets:** the special furnished holiday let rules were abolished from April 2025, so holiday lets are now treated like other residential lettings.
- **Higher property tax rates are coming:** from 6 April 2027, property income will be taxed at 22%, 42% and 47% instead of 20%, 40% and 45%.

✦ Landlord tip

If you use a letting agent, ask whether they can provide figures in a format that works with your MTD software. It can save a lot of time each quarter.

04 Penalties: the new points system

Late submissions under MTD are dealt with by a **points-based** system rather than an immediate fine:

- You receive **one penalty point** for each missed submission deadline.
- Once you reach **4 points** as a quarterly filer, you're charged a **£200** penalty, and another £200 for each further late submission.
- Points are reset once you've made all your submissions and stayed on time for 12 months.
- For 2026/27, HMRC has said it won't give points for late **quarterly updates**, to give people time to adjust. The final tax return still counts.

Paying late

Late payment penalties apply if tax is paid late: 3% of the tax owed if it's more than 15 days late, a further 3% at 30 days, then a daily penalty at 10% a year. The first two charges increase to 4% from April 2027. Interest is charged on top.

✦ Good news

Mistakes in a quarterly update don't lead to a penalty. They can simply be corrected in your next update or in your final return.

05 If you have more than one business

If you have several sources of income, such as two self-employed businesses, or a business and a property portfolio, you'll send a separate quarterly update for **each** business and for your property income. The final tax return brings them all together.

How your first year works

When	What happens
Before 6 April	Sign up for MTD and set up your software and bank feeds.
April to early August	Record income and expenses as you go; send your first update by 7 August.
August to early November	Second quarter; update due by 7 November.
November to early February	Third quarter; update due by 7 February. Balancing payment and first payment on account for the previous year due 31 January.
February to early May	Fourth quarter; update due by 7 May.
By 31 January the following year	Make any adjustments, claim reliefs and submit your final tax return.

06 Choosing the right software

You'll need software that is recognised by HMRC as compatible with MTD for Income Tax. Options include full accounting software such as **Xero**, **QuickBooks** and **FreeAgent**, or simpler bridging tools that link spreadsheets to HMRC.

- Connect your business bank account so transactions flow in automatically.
- Snap receipts on your phone so records are kept as you go.
- Keep separate records for each business and for property income.
- Make sure your accountant can access the software to check your figures.

✦ Zen tip

Using a dedicated business bank account and connecting it to cloud software is the single easiest way to make MTD painless. Your quarterly update then becomes a quick check rather than a scramble.

07 Your step-by-step plan to get ready

1. **Check your qualifying income**
   Add up your gross self-employment and property income from your latest tax return to see when MTD applies to you.

2. **Choose MTD-compatible software**
   Pick software that suits how you work, or ask us to recommend and set it up.

3. **Open a separate business bank account**
   It keeps your records clean and makes bank feeds simple.

4. **Start keeping digital records now**
   Get into the habit before your first quarter starts, so there are no surprises.

5. **Sign up for MTD for Income Tax**
   Sign up through HMRC, or we can do it for you as your agent.

6. **Submit your quarterly updates**
   Send updates by 7 August, 7 November, 7 February and 7 May.

7. **File your final tax return**
   Finalise your figures and claim reliefs by 31 January.

✦ Let us handle it

Many of our clients simply send us their receipts and let us keep their records, submit the quarterly updates and file the final return. It's often more affordable than you'd think.

Zen
BOOKKEEPING & ADVISORY

How Zen can help

We get you set up, keep your records up to date and handle every submission, so Making Tax Digital is one less thing to worry about.

- Checking whether MTD applies to you
- Choosing and setting up compliant software
- Digital bookkeeping and record-keeping
- Quarterly updates submitted for you
- Your final tax return each year
- Landlord and sole trader tax planning

Book a free, no-obligation call

Tell us about your business and we'll explain how we can help, with a tailored fixed-fee quote for just the services you need.

CALL
01752 427280

EMAIL
info@zenbookkeepingandadvisory.co.uk

WEBSITE
zenbookkeepingandadvisory.co.uk

This guide gives general information only and is not advice for your specific situation. Figures and rules are for the 2026/27 tax year and are correct as far as we are aware at 21 October 2026; they can change. Please speak to us before acting on anything in this guide. Zen Bookkeeping & Advisory is supervised by HMRC for anti-money laundering purposes. © 2026 Zen Bookkeeping & Advisory.