The Landlord's Guide to

# Making Tax Digital (MTD)

**Are you ready for the new way to file your tax return?**

Self Assessment is changing.
Here's everything you need to know.

UK Property Accountants

rentalbux

Written for property investors,
by property tax specialists.

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**About this guide**

*This guide has been prepared by UK Property Accountants and RentalBux for property investors and landlords who want to understand Making Tax Digital for Income Tax (MTD ITSA) and what it means for them.*

*This guide is for information purposes only and does not constitute tax advice. Please consult a qualified accountant for advice specific to your circumstances.*

# What is Making Tax Digital?

Making Tax Digital for Income Tax Self Assessment (MTD ITSA) is HMRC's programme to modernise the UK tax system. It is the most significant change to the way income tax returns are filed since Self Assessment was introduced in 1996.

Under MTD, landlords and self-employed individuals must keep digital records using HMRC-recognised software and submit quarterly updates of their income and expenses to HMRC. Instead of filing one annual Self Assessment tax return, you will submit summary updates four times a year, plus a Final Declaration at year-end that replaces your Self Assessment return.

## Why is HMRC doing this?

HMRC believes that digital record-keeping and more frequent reporting will

- Reduce errors in tax returns
- Help taxpayers stay on top of their tax position throughout the year
- Close the 'tax gap' (the difference between tax owed and tax collected)
- Modernise the UK's tax administration.

## What's changing at a glance?

| Feature | Self Assessment | Under MTD |
|---|---|---|
| Record keeping | Paper records, spreadsheets, or manual ledgers allowed | Mandatory digital records using HMRC-recognised software |
| Reporting frequency | One annual tax return | Four quarterly updates + Final Declaration |
| Submission method | HMRC online portal, paper form, or third-party software | MTD-compatible software only (no HMRC portal option) |
| Data submitted | Annual summary totals | Quarterly year-to-date summaries of income and expenses |
| Tax visibility | Only when return is finalised (January) | Running estimate of tax due provided throughout the year |
| Main deadline | 31 January following the tax year | Quarterly (7th of month after quarter-end) + Final Declaration by 31 January |

# Key Dates & Deadlines

MTD is being rolled out in phases based on your income. Here are the dates you need to know:

01

### 6 April 2026

MTD mandatory for landlords and self-employed with qualifying income over £50,000.

Based on your 2024/25 Self Assessment tax return.

02

### 6 April 2027

MTD mandatory for those with qualifying income over £30,000.

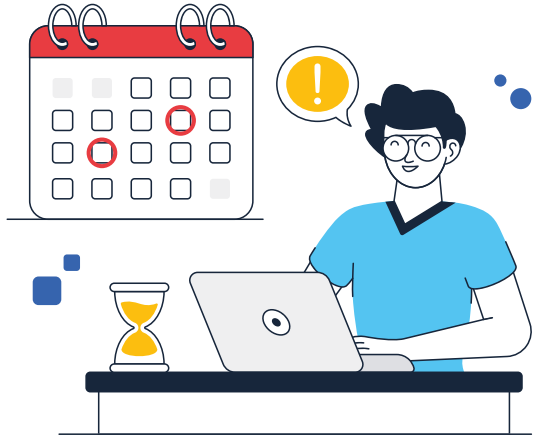
Based on your 2025/26 Self Assessment tax return.

03

### 6 April 2028

MTD mandatory for those with qualifying income over £20,000.

Based on your 2026/27 Self Assessment tax return.



## Quarterly submission deadlines

Once MTD applies to you, you will need to submit quarterly updates by the following deadlines. Note that quarterly updates are cumulative — each one covers the year to date, not just that quarter.

| Quarter | Period Covers | Submission Deadline |
|---|---|---|
| Q1 | 6 April – 5 July | 7 August |
| Q2 | 6 April – 5 October | 7 November |
| Q3 | 6 April – 5 January | 7 February |
| Q4 | 6 April – 5 April | 7 May |
| **Final Declaration** | Full tax year + all other income | 31 January (following year) |

**⚠ Important**

Once MTD applies to you, your first quarterly submission will be due by 7 August, covering the period 6 April to 5 July.

You can also elect to use calendar quarters (1 Apr–30 Jun, 1 Jul – 30 Sep, etc.) by notifying HMRC before your first quarterly update.

There is no change to payment deadlines. Tax remains payable on the usual Self Assessment dates (31 January and 31 July for payments on account).



# Who's Affected?



MTD applies based on your gross income (total income before expenses) from qualifying sources.

## You're affected if...

- You're a landlord with UK rental income (residential, commercial, or former holiday lets)
- You're a landlord with foreign rental income
- You're self-employed (sole trader)
- Your combined qualifying income from the above sources exceeds the threshold

## You're NOT affected if...

- You only own property through a limited company (companies are not in scope for MTD ITSA)
- Your qualifying income is below the relevant threshold
- You're a trustee of a property trust (trusts are currently excluded)
- You're a personal representative of a deceased's estate
- You're a Lloyd's Underwriter

### HMRC Digital Exemptions

HMRC may exempt taxpayers who cannot engage digitally due to disability, location (e.g. no reliable internet access), or incompatible religious beliefs. If your circumstances change, you must notify HMRC.

### What is NOT a valid exemption

- Paper filing history or preference for paper
- Small transaction volumes
- Unfamiliarity with software or technology
- Cost concerns

# How the Threshold Works

## What counts as qualifying income?

The threshold is based on your gross qualifying income — that's your total rental and/or self-employment income before deducting any expenses. This is an important distinction: it's turnover, not profit.

Qualifying income includes UK property income, foreign property income, and self-employment income. It does NOT include employment income (PAYE), dividends, pensions, savings interest, or any other income sources. However, those other sources must still be declared on the Final Declaration.

## The CY-2 rule (two-year look-back)

HMRC determines whether you are mandated using a 'current year minus two' rule. For the April 2026 start date, HMRC looks at your 2024/25 Self Assessment tax return (due by 31 January 2026). If your qualifying income exceeded £50,000 on that return, MTD applies to you from April 2026.The same principle applies to later phases — the April 2027 threshold is assessed against your 2025/26 return, and April 2028 against your 2026/27 return.

> **Important**
>
> Once mandated, you remain within MTD for a minimum of three years, even if your income subsequently drops below the threshold.

## New landlords and part-year income

If you became a landlord part-way through a tax year, HMRC may annualise your income to determine whether you meet the threshold. For example, if you started receiving rent from 01 October and earned £30,000 in those six months, your annualised income would be £60,000 — putting you above the £50,000 threshold. HMRC guidance places the onus on landlords to annualise part-year property income themselves.



## Examples

**1. Combined income**

Sarah has £35,000 rental income and £20,000 self-employment income.

Her combined qualifying income is £55,000 — she's in scope from April 2026.

**2. Joint ownership**

A property generates £80,000 rent, owned 50:50 by spouses.

Each spouse has £40,000 qualifying income.

If one spouse also has £15,000 self-employment income, total qualifying income would be £55,000 bringing this spouse in scope from April 2026.

The other spouse at £40,000 would be in scope from April 2027 (when the threshold drops to £30,000).

**3. Below threshold**

Tom has a single rental property generating £18,000 gross rent.

He is not in scope for MTD until the threshold drops to include his income level.

## Income above £90,000: additional requirements

If your qualifying income is likely to be at or above the VAT threshold (currently £90,000), your quarterly updates must include expenses broken down into categories (similar to the Self Assessment return). Below that level, you can provide a total income figure and a single consolidated expense figure.

## The £1,000 property allowance

If your total gross property income is £1,000 or less in a tax year, you may be able to use the property income allowance instead of deducting expenses. This effectively exempts very small-scale landlords from needing to report property income at all. If your income exceeds £1,000 but is still below the MTD threshold, you are not in scope for MTD but must continue to file a Self Assessment return as normal.

# What You Need to Do



## 1. Keep digital records

You must maintain digital records of your income and expenses. This means using HMRC-recognised software — not paper records, and not standalone spreadsheets (unless linked via bridging software).

**Records you must keep digitally include:**

- Income from each property source
- Expenses and costs
- Date and amount of each transaction
- Supporting information (receipts, invoices, and bank statements)

## 2. Use HMRC-recognised software

You must use software that is officially recognised by HMRC for MTD submissions. The software must be able to:

- Store your digital records
- Submit quarterly updates directly to HMRC
- Submit your Final Declaration

You can use different software for quarterly updates and the Final Declaration, as long as both are HMRC-approved. HMRC stores all quarterly submissions, so your finalisation software can pull the relevant data.

MTD-compatible software can take the form of a cloud-based accounting package or bridging software that enables spreadsheets to digitally link data to HMRC. Spreadsheets alone do not meet the requirements — you cannot copy and paste figures into HMRC's portal.

## 3. Submit quarterly updates

Four times a year, you submit a summary of your income and expenses to HMRC through your software. These are not full tax returns — they are year-to-date summary updates of your financial position. Because they are cumulative, errors and omissions in earlier quarters auto-correct in the next update without needing to re-file.

Each update must be submitted within approximately one month of the quarter end (by the 7th of the following month for tax-year quarters).

> **⚠ Important**
>
> Separate quarterly updates are required for each type of income source. If you are both a sole trader and a landlord, you must maintain separate digital records and file separate quarterly updates for each income stream. Similarly, UK property and overseas property income must be reported separately.

## 4. Make accounting & tax adjustments

After the fourth quarterly update, you review your full-year income and expenses and make any necessary accounting adjustments, tax adjustments, and claims for reliefs and allowances (such as capital allowances). These are submitted by 31 January following the end of the tax year.

> **End of Period Statement (EOPS) — no longer required**
>
> You may come across references to an End of Period Statement (EOPS) in older guides and some software documentation. HMRC has permanently removed the EOPS from the MTD process following the Small Business Review in November 2023. All year-end adjustments, capital allowance claims, and source-specific confirmations are now handled within the Final Declaration. There is no separate EOPS filing requirement.

## 5. Submit the Final Declaration

The Final Declaration replaces the Self-Assessment tax return for your qualifying income. It brings together all your business and non-business income (including employment, dividends, savings, pensions) to finalise your tax position. The deadline remains 31 January following the end of the tax year.

## 6. Pay your tax

Along with the Final Declaration, you pay any outstanding tax liability by 31 January. As with the existing Self-Assessment scheme, you may also need to make a payment on account by the following 31 July.

## Tabular Summary of how the new process works in practice

| Step | What happens | When |
|---|---|---|
| Record keeping | Record income and expenses digitally as they occur, using MTD-compatible software | Ongoing throughout the year |
| Q1 update | Submit year-to-date income and expenses (6 Apr – 5 Jul) | By 7 August |
| Q2 update | Submit year-to-date income and expenses (6 Apr – 5 Oct) | By 7 November |
| Q3 update | Submit year-to-date income and expenses (6 Apr – 5 Jan) | By 7 February |
| Q4 update | Submit year-to-date income and expenses (6 Apr – 5 Apr) | By 7 May |
| Adjustments | Review full-year figures, claim allowances and reliefs, make accounting/tax adjustments | By 31 January |
| Final Declaration | Declare all income sources, confirm figures, receive final tax calculation | By 31 January |
| Tax payment | Pay any tax owed to HMRC | 31 January (+ 31 July payment on account) |

# Property-Specific Rules

## How rental income is reported

All your UK properties are reported as one combined set of quarterly updates — you do not need to break income down by individual property in your HMRC submissions. Overseas properties are reported as a separate combined set.

Furnished holiday lets are now treated as standard rental income following the abolition of the FHL regime from April 2025.

If you receive income from both unfurnished and furnished property, you will need to submit separate data for each property business type. Separate submissions are also required if you have a mix of UK and overseas property.



## Letting agent statements

If a letting agent manages your property, you should record the gross rental income and management fees as separate items. Your MTD software should be able to import letting agent statements and extract the relevant figures automatically.

## No balance sheet required

You do not need to submit a balance sheet at any stage — not in quarterly updates, and not in the Final Declaration. Only income and expense figures are required.

## Finance costs (Section 24)

Residential property finance costs such as mortgage interest must always be shown as a separate expense figure in your records. This is because relief for finance costs is given as a basic rate tax reduction rather than as an expense deduction (the Section 24 restriction). Your software should handle this automatically.

### Jointly let property — special relaxations

HMRC has introduced two relaxations specifically for jointly let property:

- Joint property owners can choose to report rental income gross in quarterly returns and defer expenses to the year-end finalisation process.
- Joint property owners can create a single digital record for each income and expense category, removing the need for each joint owner to maintain separate digital records for each transaction.

*These relaxations apply only to jointly let property income and expenses — not to other rental income in the taxpayer's sole name. Bear in mind that deferring expenses will affect the accuracy of in-year tax estimates.*



# Joint Ownership & MTD



## Each owner files separately

When property is jointly owned, each owner must submit their own quarterly updates and Final Declaration for their share of the income. There is no joint filing — each person files individually.

## Profit splits must be accurate

You need to accurately calculate each owner's share of income and expenses. This can be 50:50, or any other ratio based on your ownership agreement. Whatever the split, it must be consistent and supported by documentation.

## Form 17 considerations

For married couples and civil partners, rental income is normally split 50:50 for tax purposes, regardless of actual ownership. If you want to be taxed based on actual beneficial ownership (e.g. 60:40), you need to submit a Form 17 declaration to HMRC within 60 days, along with evidence of the actual ownership split (typically a Deed of Trust).

## Software requirements for joint ownership

Make sure your MTD software can track the full property income and expenses, calculate each owner's share automatically, handle different split ratios for different properties, and submit separate MTD returns for each owner.

# Penalties & Compliance

## Points-based penalty system

From April 2026, a new points-based penalty system applies for those with income over £50,000. This mirrors (but operates independently of) the system used for MTD for VAT:

- One penalty point per missed submission deadline
- After four points are accumulated, a £200 financial penalty is charged
- Multiple self-employed businesses count as a single quarterly obligation for penalty purposes
- Penalty points can be reset after a sustained period of on-time submissions (typically 24 months of compliance for quarterly obligations)

## Late payment penalties

Separate from late submission penalties, HMRC charges late payment penalties if you do not pay your tax on time. These are calculated as a percentage of the outstanding tax and accrue the longer the debt remains unpaid. Unlike the submission penalties, there is no soft landing for late payments — they apply from day one.

## Interest on late payments

HMRC charges interest on any tax paid late, calculated from the due date to the date of payment. This is in addition to any late payment penalties.

## Soft landing for the first cohort

Landlords and self-employed individuals joining MTD from April 2026 will not receive penalty points for their first four quarterly updates. This gives you time to adjust to the new system.



# Common Mistakes to Avoid

### Waiting until the last minute

MTD requires a change in how you manage your records. If you leave setup to the last minute, you'll be scrambling to learn new software while trying to meet your first quarterly deadline. Give yourself enough time to get comfortable with the software before your first submission is due.

### Using non-compatible software

Not all accounting software is MTD-compatible. Before committing to a platform, check that it's on HMRC's list of recognised software and that it supports all your income types (UK property, foreign property, self-employment).

### Using generic software not built for landlords

General accounting software may be MTD-compatible, but they're not designed for landlords. They often can't handle property-specific needs like joint ownership splits, property-level tracking, Section 24 finance cost restrictions, or letting agent statement imports.

### Forgetting about joint ownership

If you own property jointly, each owner needs to track their share separately and submit their own MTD returns. Make sure your software can handle profit splits at the correct ratio for each property.

### Poor record-keeping habits

MTD requires digital records from day one of the tax year. If you're still using paper receipts or basic spreadsheets, you'll need to change your habits. Get into a routine of recording transactions as they happen.

### Missing quarterly deadlines

With four submissions a year instead of one, there are more deadlines to track. Set reminders and build quarterly reviews into your routine. Missing a deadline will result in penalty points.

### Not understanding the threshold

Remember that the threshold is based on gross income (before expenses), not profit. Many landlords underestimate their qualifying income because they think of their 'net' rental figure.

### Not getting professional help

MTD is a significant change. If you're unsure about anything, work with an accountant who specialises in property and understands the new requirements. Getting it right from the start will save time and stress later.



# Choosing the Right Software

Choosing the right MTD software is one of the most important decisions you'll make. Here's what to consider:

## Must-have features for landlords

- HMRC recognition for MTD for Income Tax (check HMRC's official software list)
- Support for UK property, overseas property, and self-employment income types
- Joint ownership: automatic profit splits at any ratio with per-owner submissions
- Property-level tracking so you can see each property's performance
- Section 24 finance cost restriction handled automatically
- Letting agent statement imports
- Bank feeds for automatic transaction imports
- Quarterly submission and Final Declaration filing to HMRC

## Cloud vs. bridging software

You have two main options: cloud-based accounting software (purpose-built for ongoing digital record-keeping and MTD submissions) or bridging software (which links a spreadsheet to HMRC for submission).

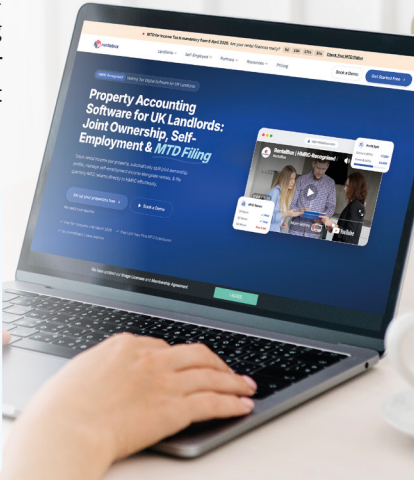
While bridging software is lower cost, it still requires you to maintain your records in a spreadsheet and doesn't automate features like bank feeds, categorisation, or joint ownership calculations. For most landlords, a dedicated cloud-based solution designed for property will save time and reduce errors.

## Questions to ask any software provider

- Is your software on HMRC's official MTD for Income Tax software list?
- Can it handle joint ownership with different split ratios?
- Does it support all my income types (UK property, overseas property, self-employment)?
- Can it import letting agent statements automatically?
- Does it connect to my bank for automatic transaction feeds?
- What does it cost, and is there a free trial period?

# How RentalBux Can Help

We built RentalBux specifically to help landlords like you with Making Tax Digital. Unlike generic accounting software, RentalBux is designed from the ground up for property income — because that's what we specialise in at UK Property Accountants.




## HMRC-recognised

RentalBux is recognised by HMRC for Making Tax Digital (MTD) for all three qualifying income types:

- UK property income
- Foreign property income
- Self-employment income

## Built for landlords

| Capability | What it does |
|---|---|
| Joint ownership | Automatic profit splits at any ratio with per-owner MTD submissions |
| Section 24 | Automatic finance cost restriction calculated per co-owner |
| Property-level tracking | See each property's performance individually |
| Letting agent imports | Upload statements — income and fees extracted automatically |
| Bank feeds | FCA-authorised Open Banking imports transactions automatically |
| AI categorisation | Auto-categorises transactions against property tax rules |
| Income coverage | UK property + overseas property + self-employment in one plan |
| MTD submissions | File quarterly updates and Final Declaration directly to HMRC |
| Final Declaration (Under Development) | Submit the final tax return to HMRC |

# Getting Started with RentalBux



**Choose Plan**
Landlord, Sole Trader or Hybrid. Free trial, no credit card required.

**Add Properties**
Add Property units and tenancy details associated with the Property.

**Connect Bank**
FCA-authorised Open Banking feeds import transactions automatically.

**Link to HMRC**
Secure OAuth connection authorises RentalBux to submit on your behalf.

**Submit**
Review and file your first quarterly update. Typical setup takes about 5 minutes.

## Try it FREE

Sign Up Free

- Free until your first MTD submission
- No credit card. No commitment. Leave anytime.
- Set up your account, add your properties, and get everything ready — completely free. You only pay when you file your first quarterly update.

# Your MTD Preparation Checklist




Use this checklist to make sure you're MTD-ready:

01 **Check if you're in scope**

Review your gross qualifying income (rental + self-employment, before expenses). If it exceeds the threshold limit, MTD applies to you.

02 **Understand joint ownership**

If you co-own property, each owner's share is assessed individually.

03 **Choose your software**

Select HMRC-recognised MTD software that handles your specific needs. For landlords, look for property-specific features like joint ownership splits and letting agent imports.

04 **Set up your digital records**

Start recording income and expenses digitally as soon as possible. Building good habits early makes the transition to quarterly reporting much smoother.

05 **Connect your bank**

Link your bank account to your software for automatic transaction imports. This saves time and reduces errors.

06 **Register for MTD**

Sign up with HMRC for MTD for Income Tax. Either you or your agent can do this. You'll need your Government Gateway user ID and password, your National Insurance number, and details of your income sources.

07 **Set quarterly reminders**

Put the four quarterly deadlines in your diary: 7 August, 7 November, 7 February, and 7 May.

08 **Talk to your accountant**

Discuss how you'll work together under MTD. Will they handle quarterly submissions, or just the Final Declaration? Under MTD, your accountant can act as a 'Supporting Agent' who handles quarterly updates while you or your main agent handles the Final Declaration — or vice versa. Clarify who is responsible for what.

09 **Prepare for your First MTD Quarter**

Aim to have your software set up and tested well before your first MTD quarter begins, so you're recording transactions from day one.

# Need help with your property accounts?

RentalBux is built by UK Property Accountants — specialists in property tax and accounting.


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