

MAKING TAX DIGITAL FOR INCOME TAX

With just over a year to go before Making Tax Digital for Income Tax (MTD for IT) is mandated, now is the time to consider whether your business will be required to comply with the new requirements from 6 April 2026.

If you are a sole trader or run an unincorporated property business, and your 'qualifying income' (generally turnover from a sole trade or property business) is £50,000 or more in the 2024/25 tax year, you will be mandated into MTD for IT from 6 April 2026. It's too early to know your 2024/25 income until your accounts or tax return have been prepared for the tax year, but your 2023/24 self assessment tax return should give you an indication as to whether or not you'll be mandated. If your qualifying income in 2023/24 was above or nearing £50,000, and you expect it to stay at around that level or increase for 2024/25, then there's a good chance that you'll be mandated.

HMRC are taking this approach. They have said that they'll use 2023/24 returns (the deadline for which was 31 January 2025) to identify which taxpayers are likely to be mandated from 6 April 2026. They'll be sending those taxpayers a letter in the coming months, advising them that they're likely to be mandated and explaining why.

If you receive such a letter, or if you'd like to know more about preparing for MTD for IT, please let us know. MTD for IT will involve keeping your detailed accounting records in compatible software and sending quarterly digital reports to HMRC. This might be a big change for some, but it could actually benefit you. We can help you choose the most suitable software and implement the required processes in a way that adds value to your business.