



RENNIE WELCH
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Making Tax Digital for Income Tax – where are we now?

“Making Tax Digital” is part of a Government strategy to digitalise the UK tax system. The overall aim of this strategy is to make the administration of taxes by HMRC more efficient by introducing a requirement for businesses and individuals to maintain records digitally, using appropriate software, which can then be used to submit quarterly updates.

For those businesses who are VAT registered, the requirement to submit VAT returns digitally was introduced back in 2019. Now that this has been “bedded in”, HMRC intend to expand the strategy to Income Tax, with quarterly returns commencing from April 2026 for some businesses and landlords, which is not as far away as it seems!

How and when will this affect me or my business?

From **6th April 2026** for individuals with annual **gross turnover** from self-employment and/or property rental **in excess of £50k**.

From **6th April 2027** for individuals with annual **gross turnover** from self-employment and/or property rental **in excess of £30k**.

Individuals with annual **gross turnover** from self-employment and/or property rental **below £30k** have **not been included** but may be brought in in future.

How will I know when I need to start making quarterly returns?

HMRC will review 2024/25 tax returns and contact those individuals with total gross turnover in excess of £50k to notify them of their requirement to participate from 6th April 2026. A similar process will be applied following the submission of 2025/26 tax returns for those with gross turnover in excess of the £30k threshold, to notify them of their requirement to participate from 6th April 2027.

Going forward, where an individual starts a new business, or has previously had gross turnover below the threshold but this has subsequently increased, participation will be required from the start of the tax year **after** the first tax return showing gross turnover in excess of the threshold has been submitted.

It should be noted that the £50k and £30k thresholds are applied to the **combined total of all self-employments and property rental income of an individual** for the tax year, for example, where an individual has business turnover of £25k, and gross property rental income of £6k in the 2025/26 tax year, the combined total of this income would be £31k. As this exceeds £30k, implementation of quarterly returns would be required from 6th April 2027.

Partnerships and companies

Partnerships and companies are **not included at present** but will be in future. No timeline has been announced for this yet.

Reporting requirements:

Digital records must be maintained. This could be done by using accounting software, or spreadsheets combined with bridging software. Income and expenses must be entered transaction by transaction, but special rules will apply for retailers who will be able to record **daily** gross takings rather than individual sales. Simpler “three-line accounts” entries may be used by those who are not VAT registered.

Quarterly submissions will be required **for each separate trade or business, on a cumulative basis**. Quarterly submission periods will run as follows:

- Period from 6th April to 5th July – submission by 7th August
- Period from 6th April to 5th October – submission by 7th November
- Period from 6th April to 5th January – submission by 7th February
- Period from 6th April to 5th April – submission by 7th May

It will be possible to elect to use calendar quarters instead, i.e., 30th June, 30th September, 31st December, and 31st March.

A further “final” declaration for the full tax year, covering all sources of income, will still be required. This will replace the current Self-Assessment tax return and will include the year-end accounting and tax adjustments, other income, reliefs and allowances etc. i.e., everything currently included on the current Self-Assessment tax return. The submission deadline will remain 31st January following the end of the tax year.

Tax payments

Initially, at least, there will be no change to the current Self-Assessment income tax payment regime, which consists of payments being made “on account” in January within the tax year, and July following end of tax year, based on the previous year’s liability, with any balance due payable in January following the end of tax year.

How can I prepare?

Start thinking now about whether your gross business turnover and/or property income is likely to exceed the threshold and when. Consider your current record keeping system – will this be sufficient to meet the digital requirements or will you need to change this, and if so, how long will it take to select, set up, and learn how to use a new system?

For assistance or further details, please contact Lynn Miller by telephone on 01289 330311, or by email at: lynn.miller@renniewelch.co.uk

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They have been prepared in accordance with legislation in force or proposed at June 2024.

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