



## Introduction

'Making Tax Digital for Income Tax' or 'MTD for IT' for short will become **mandatory** from 6 April 2026 if your self-employment and/or property rental income is in excess of £50,000 in the 2024/25 tax year.

So, now is the time for us to start preparing.

### What does it mean for you?

You will be required by law to use what is termed 'compatible software' to:

- Manage and retain transaction-level (income and expenses) digital records for each self-employment and/or property business.
- Submit quarterly update reports of your year-to-date transactions for each self-employment and/or property business to HMRC.
- Finalise your end-of-year position by providing details of your other personal income sources, making adjustments, claiming reliefs and submitting your digital tax return to HMRC.

Starting with the 2026/27 tax year, this process will replace your annual self-assessment tax return. Failure to comply with the new rules will result in financial penalties.

There will be no changes to your income tax payment dates.

### When does this change impact you?

An appropriate digital record-keeping system must be used for your records from 6 April 2026 in order that the system is available and ready to submit the first quarterly update report for the 2026/27 tax year, due on 7 August 2026.

### What is compatible software and is HMRC providing it?

HMRC will not be providing software, but it's important to note that the new requirements may not necessarily require a change in the systems that you are currently using. If changes are required to ensure your systems are compliant, various types of MTD-compatible software will be available. We can help to ensure that you have the right solution at a price-point that works for you.

## You are likely to fall into one of the three categories below:

### 1. We already process your bookkeeping for you

Depending on how you capture and provide the information and also how frequently, MTD for IT requirements may not necessarily require a change in the systems used.

### 2. You already manage and retain transaction-level (income and expenses) on compatible software

If you already use compatible software you may just need to ensure this is up to date in time for the quarterly submissions. Go to GOV.UK and search 'MTD compatible software'.

### 3. You do not use compatible software

If the software you use is not compatible or you still use manual records, you will need to start using compatible software or we may be able to process your bookkeeping for you.

## Next steps

HMRC may have already contacted you. Now is the time to take action and ensure you have a solution in place that works for you.

You can read more about this change by going to GOV.UK and searching 'MTD for IT'.

Depending on your current record-keeping system and VAT status, there may be more work involved so do not hesitate to get in touch.

### Don't worry – we are here to help

We understand that there is a lot to take in, but we are committed to working with you to find the best possible solution that brings as much value to you and your business as possible.

We will continue to keep you informed. Please speak with your usual contact at Peplows for further help or information.

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