LandlordVision

Making Tax Digital For Landlords

2025 / 2026

By
Sarah Bradford

Making Tax Digital For Landlords

Disclaimer:

This 'Tax Insider' guide is produced for general guidance only, and professional advice should be sought before any decision is made. Individual circumstances can vary; therefore, no responsibility can be accepted by the contributors or the publisher, Tax Insider Ltd, for any action taken, or any decision made to refrain from action, by any readers of this guide.

Contents

1. About Sarah Bradford 4

2. About This Guide 5

3. Landlords' Obligations Under MTD for ITSA 6

- **3.1. Nature of MTD for ITSA** 6
- **3.2. MTD-Compatible Software** 7
- **3.3. No Change to Underlying Tax Rules** 8
- **3.4. Finding Your Start Date** 8
    - 3.4.1. Start date 1: 6 April 2026 8
    - 3.4.2. Start date 2: 6 April 2027 9
    - 3.4.3. Start date 3: 6 April 2028 9
    - 3.4.4. Exemptions 10
    - 3.4.5. MTD for ITSA Pilot 10
- **3.5. Keeping Digital Records** 11
- **3.6. Making Quarterly Returns** 11
- **3.7. Final Declaration** 12
- **3.8. MTD Compliance** 12
    - 3.8.1. All Landlords 12
    - 3.8.2. Practical Tip 12
    - 3.8.3. Multiple Properties 13
    - 3.8.4. Jointly Owned Properties 13
    - 3.8.5. How And When Will Tax Payments Be Made? 13
- **3.9. The New System Of Penalties** 13
    - 3.9.1. Late Submission 13
    - 3.9.2. Late Payment Regime 14
    - 3.9.3. First Year 14
- **3.10. Simplified 'Cash Basis' For Unincorporated Property Businesses** 14
- **3.11. Possible Timetable For 2026/27 And 2027/8** 15

Final Points 16

Invest In Landlord Software 16

1. About Sarah Bradford

Sarah Bradford BA (Hons) FCA CTA (Fellow) is a director of Writetax Ltd, a company providing technical writing services on tax and National Insurance.

Sarah writes widely on tax and contributes to a number of newsletters, books and reports available through the TaxInsider.co.uk website. These include:

- Business Tax Insider;
- Property Tax Insider;
- Tax Insider Professional;

2. About this guide

Making Tax Digital is the government's plan to move to a fully digital tax system. The stated aim is to make tax administration more effective, efficient and easier for taxpayers to fulfil their obligations, whilst reducing HMRC's overheads for managing the tax system.

This report sets out to clarify what can be expected for and of landlords once the system has been implemented, detailing the practicalities involved with the submission of data and the penalties for non-compliance.

3. Landlords' Obligations Under MTD for ITSA

Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) will digitalise record-keeping and the provision of information to HMRC for income tax purposes. It will apply to landlords running unincorporated property businesses and to traders running unincorporated businesses (such as sole traders and partnerships with individual partners) progressively from 6 April 2026 (the 2026/27 tax year).

The start date will depend on combined business and property income. Once a landlord is within MTD for ITSA, they must remain in it, even if their income drops below the trigger threshold, unless their income is below the trigger threshold for three consecutive years. Where this is the case, they are permitted to leave.

Compliance with MTD for ITSA will necessitate the acquisition of MTD-compatible software.

Landlords running unincorporated property businesses should check their MTD for ITSA start date and ensure that they prepare sufficiently in advance so that they are ready to comply with the digital record-keeping and reporting requirements from their start date.

3.1. Nature of MTD for ITSA

The two key requirements for MTD are to:

- keep digital records of income and expenditure and
- use MTD-compatible software to submit returns to HMRC.

Landlords within MTD for ITSA will need to submit quarterly reports of income and expenses to HMRC using MTD-compatible software. They will also need to submit a final declaration. This will finalise the tax position for the year and is the stage at which reliefs and allowances are claimed.

Once a landlord is within MTD for ITSA, they will no longer need to submit a Self Assessment tax return.

3.2. MTD-Compatible Software

Landlords will need to use software that is compatible with MTD for ITSA in order to comply with their obligations. HMRC have indicated that free software will be made available which can be used by those with the most straightforward affairs. However, landlords and traders with more complex affairs will need to use commercial software. HMRC publish a list of commercial software that is MTD-compliant. The list can be found www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax.

The software will enable the landlord to:

- create and store digital records of income and expenses in the correct format;
- make quarterly returns of income and expenses to HMRC;
- make the final declaration to finalise the tax position for the tax year; and
- receive information from HMRC, such as tax estimates.

Landlords can either opt for a single product that will meet all their requirements under MTD for ITSA, or more than one product which together meet the requirements.

There are different types of software for a landlord to choose from. Some packages will let the landlord create a digital record of their income and expenses, for example, by manually entering the information into the software. Alternatively, the software may connect to the landlords online bank account.

Landlords who currently use spreadsheets to keep their business records will still be able to do so. They will need to connect their spreadsheets with bridging software which works with MTD for ITSA and allows them to submit their digital returns to HMRC. The information must be transferred digitally from the records to the returns – it must not be entered manually.

The software must also be capable on making submissions to HMRC so that the landlord can submit their quarterly returns and final declaration.

Where a landlord uses an agent to submit some or all of their returns to HMRC, they should discuss their software requirements with their agent. For example, if the landlord creates digital records and submits their quarterly returns, but the agent submits the final declaration, the landlord will need software that meets this need.

Landlords who have registered for the MTD for ITSA pilot will need software that works for the 2025/26 tax year.

3.3. No Change to Underlying Tax Rules

MTD for ITSA only changes the way in which records of income and expenses are maintained and the way in which information is provided to HMRC.

There are no changes to the underlying tax rules and the way in which the tax due is calculated. Likewise, there are no changes to the payment's deadlines or the way in which tax is paid.

3.4. Finding Your Start Date

MTD for ITSA is being introduced progressively from 6 April 2026. The start date will depend on the combined property and trading income from the individual's unincorporated property business and their unincorporated trading businesses.

Once a landlord is brought within MTD for ITSA they must remain in it, unless their income falls below the prevailing trigger threshold for three successive years.

Landlords can join voluntarily ahead of their mandation date. They can also sign up for the MTD for ITSA pilot.

3.4.1. Start date 1: 6 April 2026

MTD for ITSA will apply from 6 April 2026 to unincorporated landlords and traders with trading and/or property income of more than £50,000. The relevant income will be that for 2024/25, as reported on the Self Assessment tax return for that year, which must be filed by 31 January 2026. Once their income for the 2024/25 tax year is available, landlords within an unincorporated property business will be able to work out if they will be within the scope of MTD for ITSA from April 2026.

It is important to appreciate that the income from different sources is not considered in isolation – where a landlord has more than one unincorporated property business, or has both trading and property income, they will need to work out the total from all sources, and also their share of any income from jointly-owned properties. The relevant figure is the total income before deduction of expenses, rather than their profits.

Example 1

Anne runs an unincorporated property business. She lets out a number of properties. In 2024/25, her rental income (before the deduction of expenses) was £75,000. As this is above the MTD for ITSA trigger threshold of £50,000, she must comply with MTD for ITSA from 6 April 2026.

Example 2

Albert is self-employed. He also has a property that he rents out. In 2024/25, his trading income (before deducting expenses) was £60,000. His rental income (before the deduction of expenses) was £9,000.

As Albert's total trading and property income is £69,000 for 2024/25, he will be within MTD for ITSA from 6 April 2026. He will need to keep digital records for his property business as well as for his trading business and include details of his property income and expenses on his quarterly returns. It does not matter that his rental income is only £9,000 in 2024/25 – the relevant figure is his combined rental and property income, which is more than £50,000.

3.4.2. Start date 2: 6 April 2027

The MTD for ITSA trigger threshold drops to £30,000 from 6 April 2027. Landlords who are not already in MTD for ITSA must comply from 6 April 2027 (2027/28 tax year) if their trading and/or property income was £30,000 or more in 2025/26. The relevant income will be that reported on their 2025/26 tax return, which must be filed online no later than 31 January 2027.

Example

Brett has rental income of £32,000 in 2025/26. He is not yet within MTD for ITSA. He must comply with the requirements of MTD for ITSA from 6 April 2027 onwards.

3.4.3. Start date 3: 6 April 2028

It was announced at the time of the 2025 Spring Statement that landlords and traders whose combined property and trading income is at least £20,000 (but less than £30,000) will be brought within MTD for ITSA from 6 April 2028.

3.4.4. Exemptions

The digitally excluded are exempt from the requirements of MTD for ITSA. This extends to those who do not use computers for religious reasons or who are unable to comply for reasons of disability, old age, location. Each case will be considered on their merits.

The Government announced at the time of the 2025 Spring Statement that taxpayers within the following groups will be exempt from MTD for ITSA:

- taxpayers who have a power of attorney;
- non-UK resident foreign entertainers and sportspeople who have not other income sources that count as qualifying income for MTD for ITSA;
- taxpayers for whom HMRC cannot provide a digital service.

In addition, the following groups will not be required to joint MTD for ITSA during the course of the current Parliament:

- ministers of religion;
- Lloyd's underwriters;
- recipients of the married couples' allowance; and
- recipients of the blind person's allowance.

Taxpayers who need to report their residence and remittance basis status on the SA109 schedule to the Self-Assessment return will not need to comply with MTD for ITSA until April 2027 to allow time to incorporate the changes to the tax rules for non-domiciled individuals into the MTD for ITSA design.

3.4.5. MTD for ITSA Pilot

To ensure that the systems work correctly from April 2026, HMRC are running an MTD pilot. Eligible taxpayers who wish to embrace MTD early can sign up for the pilot. Details can be found on the Gov.uk website (see www.gov.uk/guidance/sign-up-your-business-for-making-tax-digital-for-income-tax).

3.5. Keeping Digital Records

Once a landlord is within MTD for ITSA, they will need to keep digital records of the income and expenses in relation to their property business. If they also have trading income, details of their trading income and expenses must also be maintained digitally.

The digital record-keeping requirement means that a landlord will need to record each individual transaction in their digital records. This should include the date and the amount of the transaction and the nature of that transaction.

HMRC are keen that landlords maintain, as near as possible, digital records in real time as this is likely to reduce the scope for error. If the landlord's current approach is to put everything in a box file and sort it out when they do their tax return, this will necessitate a new way of working. However, under MTD, the landlord can still use a bookkeeper to create the digital records quarterly, if preferred, as part of the quarterly submission process.

A landlord can either use software designed for this purposes, or can keep their records in a spreadsheet and use bridging software to link to their quarterly returns.

3.6. Making Quarterly Returns

Under MTD for ITSA, landlords and traders must make digital quarterly return to HMRC using MTD-compatible software.

The quarterly returns are simple summaries of the income and expenses which are generated from the digital records. There is no need to make accounting adjustments – this is done at the end of the tax year.

The figures submitted each quarter are the cumulative figures for the year to date. This allows corrections to be made for previous quarters without having to resubmit the information for those quarters.

Where a landlord has income from a jointly-owned property, they can opt not to submit quarterly updates in respect of expenses relating to jointly-owned properties and also choose to keep less detailed records of jointly-owned properties. This will minimise the in-year transfer of information needed between joint owners. However, the figures will still be needed before the tax position for the tax year can be finalised.

The quarters run to 5 July, 5 October, 5 January and 5 April, although taxpayers can report to calendar quarters instead (30 June, 30 September, 31 December and 31 March). The deadlines for submitting the quarterly returns are 7 August, 7 November, 7 February and 7 May.

3.7. Final Declaration

After the quarterly return for the final quarter in the tax year has been submitted, the position for the tax year can be finalised. The final declaration will bring together the information on income and expenses submitted to HMRC on a quarterly basis. It is also the point and which information on other sources of income that the landlord may have is provided to HMRC and when claims for allowances and reliefs are made. The final declaration will require the landlord to make a declaration that the information provided is complete and correct to the best of their knowledge, similar to that required on the Self-Assessment tax return.

The Final Declaration will need to be submitted using software that is compatible with MTD for ITSA.

3.8. MTD Compliance

3.8.1. All Landlords

Although there will be no requirement to submit actual invoices or receipts, this back up information must still be retained. Eventually HMRC would like taxpayers to use software sophisticated enough to scan receipts so the details are loaded automatically into the chosen software. They believe that this method of ‘capture’ will reduce the need for manual loading (and as such ‘mistakes’) and the time incurred in creating quarterly submissions. However, such sophisticated software costs and HMRC have backed away from insisting that this type of software be used.

Submissions will be of total figures only and the headings will be the same standard expense headings already in use on the Property pages of the current tax return.

3.8.2. Practical Tip

Many landlords use their personal current account to collect rents and pay expenses. It is suggested that landlords apply for a separate bank account over the next year to hold these figures in one place and make analysing expenses easier. The account need not be a business account but can be an ordinary personal current account.

3.8.3. Multiple Properties

Where multiple properties are held within a property business, rental income and expenditure will be recorded for the business as a whole rather than shown per individual property. However, should information be received from third parties (e.g. letting agents) summaries, those figures can be entered into the software as a single invoice.

3.8.4. Jointly Owned Properties

Currently, each individual provides information on their own tax return detailing their share of the rental income and allowable expenses. This procedure will remain where a property is jointly owned, each individual being required to keep digital records for their share of income and expenditure.

3.8.5. How And When Will Tax Payments Be Made?

HMRC currently plans to retain the dates by which payments must be made, namely on 31 January and 31 July as required. However, voluntary payments will also be permitted at the discretion and interval of the taxpayer's choosing.

Hidden in the Budget consultation published on 23 March 2021 is a sentence which possibly is the real reason for MTD:

"The government is publishing a call for evidence to begin to explore the opportunities and challenges of more frequent payment of income tax within Income Tax Self-Assessment ...based on in-year information'.

3.9. The New System Of Penalties

Alongside the introduction of MTD, HMRC announced a new penalty regime. The regime is currently levied on VAT registered businesses and will also apply to MTD for Income Tax when it begins from April 2026 and possibly MTD for Corporation Tax when implemented.

3.9.1. Late Submission

- Taxpayers will receive one point for every missed submission deadline; HMRC will notify the taxpayer of each point as incurred. The points will expire after two years

- When a taxpayer reaches a certain threshold a financial penalty of £200 will be charged; this threshold will be four points for landlords making quarterly submissions.
- Once the threshold has been reached, the taxpayer will be required to bring all outstanding returns from the preceding 24 months up to date and achieve the period of compliance for the following 12 months for the points to be reset to zero.
- Points will be totalled separately for different submission obligations i.e. should a taxpayer be required to make both self-employed and landlord submissions the points system is separate.

3.9.2. Late Payment Regime

Taxpayers will no longer receive an automatic penalty if they fail to meet a submission obligation, but instead incur a penalty point for each failure as follows:

- no penalty if the outstanding tax is paid within 15 days after the due date
- after 15 days, a penalty of 2% of any outstanding tax will be applied
- this increases to 4% of any outstanding tax if still unpaid 31 days after the tax was due to be paid.

3.9.3. First Year

HMRC have confirmed that for the first year of implementation a 'light touch' approach to applying the first penalty (i.e. 2% after 15 days) will be made. Taxpayers will be allowed 30 days to approach HMRC to ask for a 'Time to pay' arrangement. The 4% penalty will be charged on any outstanding tax remaining unpaid after the 30 days even if an arrangement has been made.

3.10. Simplified 'Cash Basis' For Unincorporated Property Businesses

As part of the changes, the method by which unincorporated property businesses account for their property income has changed. These changes make the 'cash basis' of accounting the default option where receipts of that business are less than £150,000 (unless the business elects to use the 'accruals basis').

The ‘cash basis’ is used to account for income and expenses when the income is received and expenses are paid. The current general disallowance of capital expenditure under the ‘cash basis’ is replaced by a more specific disallowance for certain assets. The ‘accruals basis’ accounts for income over the period to which it relates and for expenses in the period for which the liability is incurred.

3.11. Possible Timetable For 2026/27 And 2027/8

For landlords who do not have any other self-employed or partnership income the deadlines for each submission for the first year 2026/27 will be:

1. 1st ‘update’ 2026/27 - submit June 2026
2. 2nd ‘update’ 2026/27 - submit Sept 2026
3. 3rd ‘update’ 2026/27 - submit Dec 2026
4. 2025/26 Self-Assessment tax return - submit by 31 January 2027
5. 4th ‘update’ 2026/27 - submit March 2027
6. 1st ‘update’ 2027/28 - submit June 2027
7. 2nd ‘update’ 2027/28 - submit Sept 2027
8. 3rd ‘update’ 2027/28 - submit Dec 2027
9. 5th and final ‘end of year activity’ 2026/27 - submit 31 January 2027

Final Points

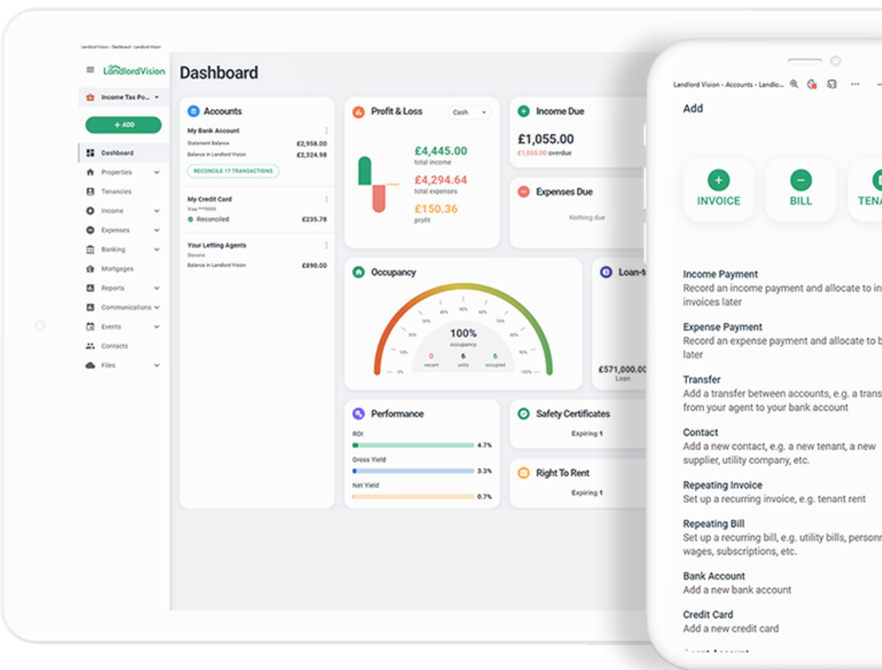
Over time the information submitted under MTD will create a picture of a taxpayer's business, which HMRC believes will enable more accurate comparisons with other similar businesses than are currently available. This can only mean more targeted enquiries and, as indicated above, eventually enable more regular tax payments.

April 2026 may seem a long way in the future however the delay in implementation has given all affected landlords further time to prepare. As such it will be prudent for landlords to be aware of the changes and put procedures in place to ensure that the transition from the 'old' system to the 'new' goes as smoothly as possible in the circumstances.

Invest In Landlord Software

Landlord vision is a cloud-based property management software for busy landlords who need to manage the essential administration of their property and finances quickly and efficiently.

Visit:
www.landlordvision.co.uk



LandlordVision