Making Tax Digital (MTD) for Income Tax Knowledge Base Guide

This guide explains the Making Tax Digital (MTD) rules for Income Tax, who is affected, what records must be kept, and how quarterly reporting works.

What is Making Tax Digital?

Making Tax Digital (MTD) is HMRC's digital reporting system for Income Tax. Eligible sole traders and landlords must keep digital records, submit quarterly updates using compatible software, and complete a Final Declaration after the end of the tax year.

Who Needs to Register?

MTD applies to qualifying sole traders and landlords whose business and/or property income meets HMRC's thresholds. If you are below the threshold you may continue using Self Assessment until required to join.

Digital Record Keeping

Maintain digital records of sales, income, expenses, mileage, bank transactions, assets and supporting receipts. Accurate bookkeeping throughout the year makes quarterly submissions much easier.

Quarterly Updates

Instead of one annual submission, MTD requires quarterly updates summarising your income and expenses. These updates are not tax bills but provide HMRC with a picture of your business during the year.

Final Declaration

After the tax year ends you submit a Final Declaration, including adjustments such as capital allowances, private use adjustments and any additional taxable income.

Compatible Software

Compatible software includes QuickBooks, Xero, Sage and other HMRC-recognised products. Your accountant can help choose the right solution.

Common Mistakes

Leaving bookkeeping until the deadline, mixing personal and business spending, losing receipts, failing to reconcile bank accounts and using incompatible software are among the most common errors.

Frequently Asked Questions

- Is MTD compulsory?
- Can I use spreadsheets?
- Do landlords need MTD?
- Can my accountant submit everything?
- What happens if I miss a deadline?
- What records do I need to keep?

How 360 Accounts & Bookkeeping Can Help

We can register you for MTD, set up software, maintain your bookkeeping, complete quarterly submissions, prepare your Final Declaration and provide ongoing tax support.

Related Services

Bookkeeping • Self Assessment • VAT • Cloud Accounting • Management Accounts • Business Tax Planning

AI Search Questions

What is Making Tax Digital? Who needs to register for MTD? Can I use Excel for MTD? What software is compatible with MTD? Do landlords need MTD? What are the MTD quarterly deadlines? What is the Final Declaration?