# Making Tax Digital

## Helping you stay in control - A Practical Guide

Forrester Boyd
CHARTERED ACCOUNTANTS

# Why MTD Matters to you!

Since April 2026, individuals with qualifying income over £50,000 have been required to keep digital records and submit quarterly updates under Making Tax Digital for Income Tax. The threshold will reduce to £30,000 from April 2027 and £20,000 from April 2028, with eligibility in each year based on qualifying income reported for the previous tax year.

For some, this will feel like a small adjustment. For others, it will require a shift in habits and systems. Instead of looking at your figures once a year, you will need to maintain accurate digital records throughout the year. The earlier you understand the changes, the easier the transition will be.

**If you are self-employed or receive income from property, Making Tax Digital will affect how and when you report your income to HMRC.**

**HMRC are updating their guidance all the time and you can use their checker here**

# What is actually changing?

## Under Making Tax Digital, you will need to:

- [ ] Keep digital records of income and expenses
- [ ] Submit summary updates to HMRC every quarter
- [ ] Submit a Final Declaration at year end

Quarterly updates will show your cumulative income and expenses. They are not necessarily quarterly tax bills, but they do mean more regular reporting.

The annual process does not disappear. It becomes part of a structured reporting cycle.

# Who will be **Affected?**

## Making Tax Digital for Income Tax applies to:

- Self-employed individuals
- Landlords with property income

**The rules are based on gross qualifying income and are being introduced in phases.**

## Typical examples include:

- A sole trader with turnover of £55,000
- A landlord with £52,000 rental income
- An individual with employment income and additional rental income

**If your income is close to the threshold, now is the time to review your position and plan ahead.**

# Digital Record Keeping

## What it really means....

“Digital records” means more than keeping spreadsheets on a laptop.

Income and expenses must be recorded digitally and systems must link together without manual re-keying of figures.

**A typical compliant process may look like:**
**Invoice → Accounting software → Bank feed → Categorised expenses → Quarterly submission**

Spreadsheets can still be used in some cases, but they must link digitally to compatible submission software. Manual processes increase the risk of error and non-compliance.

Done properly, digital record keeping can reduce year-end pressure and give you greater visibility of your financial position throughout the year.

# The Reporting Cycle

## Under MTD, you will submit:

### Quarterly Updates

A summary of your business income and expenses every three months.

### The Final Declaration

A declaration covering all income sources and confirming your overall tax position. While reporting becomes more frequent, annual adjustments and tax planning remain important.

This is a shift towards regular discipline rather than last-minute preparation.

# Turning Compliance Into Opportunity

**Although Making Tax Digital is a compliance requirement, it can also bring benefits.**

**With accurate, up-to-date records, you gain:**

- Clearer insight into performance
- Better cash flow forecasting
- More proactive tax planning
- Fewer surprises in January

**At Forrester Boyd, we support clients with:**

- Software selection and setup
- Training and ongoing guidance
- Bookkeeping support
- Quarterly review meetings
- Outsourced finance solutions

Making Tax Digital is coming. Digital records will be mandatory. Reporting will be more frequent. With the right preparation, the transition can be smooth and structured rather than stressful.

If you would like to review your readiness and understand what steps to take next, we are here to help.

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# Our Offices:

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