

How the new tax system affects

sole traders and landlords

HMRC's new regime, Making Tax Digital for Income Tax Self Assessment (MTD for ITSA), changes how many sole traders and landlords will file their taxes.

To see how this might affect you, we have created this short, step-by-step guide.

- 1 Under **MTD for ITSA**, some sole traders and landlords will not complete an annual tax return. Instead, they will send HMRC **quarterly submissions and a final declaration**.
- 2 MTD for ITSA is becoming compulsory, but only for those who earn a certain amount of income from sole trader or landlord activities:
 - Those with an income of **more than £50,000** must sign up **by April 2026**.
 - Those with an income of **£30,000-£50,000** must sign up **by April 2027**.
 - Those with an income of **£20,000-£30,000** must sign up **by April 2028**.

**NOTE: For MTD to be compulsory, income meeting the threshold must come from self-employment, landlord activities or a combination of both. If you meet the threshold because of other income, MTD will not apply – even if some of the money comes from self-employment or landlord activities.*
- 3 Under MTD for ITSA, you will need to keep a **digital record** of any sole trader and landlord income. This can be done using a dedicated app or a spreadsheet, but it must be software that's HMRC-approved.
- 4 Your accountant will set **deadlines for any information** they need. Mark these deadlines in your calendar.
- 5 **Send your quarterly income records** to your accountant by each deadline. This process will use a secure digital connection – your accountant will explain the process.
- 6 Your accountant will **confirm every successful quarterly submission** to HMRC. They will also contact you if HMRC has asked for any changes.
- 7 Remember: **quarterly submissions are cumulative**; they provide a running total of the tax year. This means you never have to go back and update the first three quarters if you miss something. Instead, it will be added to the next submission.
- 8 After all quarterly submissions have been sent, your accountant will ask you for any other income records (for example, any earnings from interest, capital gains or dividends). This is added to a **final declaration**.
- 9 Once your accountant has prepared this final declaration, they will send you a **copy to check** and authorise. After that, it will be sent to HMRC.
- 10 Throughout the year, you **will be able to log into HMRC's website** to track submissions, charges, payments, calculations and forecasts.