

Making Tax Digital

Sole traders



Changes for sole traders

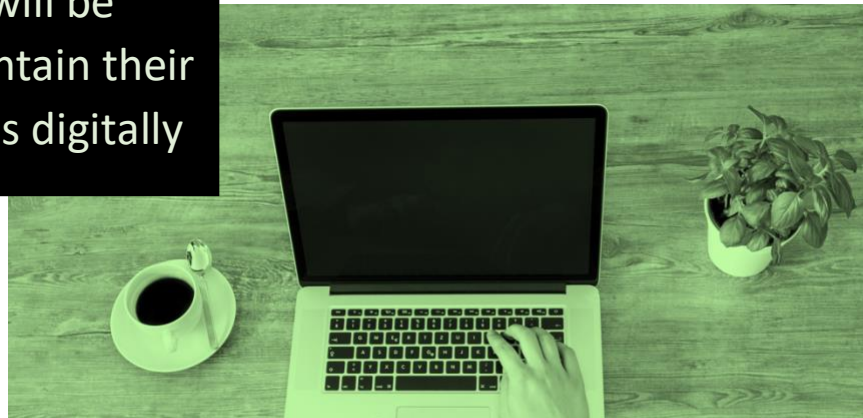
Changes are coming for all sole traders in the administration and submission of their tax information with the advent of Making Tax Digital (MTD) for income tax.

From April 2026, individuals with gross income in excess of £50,000 in the tax year from both their property rentals and any sole-trader business will be first to follow the new Making Tax Digital regime for Income Tax. Then, from April 2027 individuals with gross income in excess of £30,000 in the tax year from both their property rentals and any sole-trader business will also need to be MTD compliant. Instead

of the one self-assessment tax return to be filed each year, individuals will be required to file online four returns starting during the tax year and one extra return afterwards. At this stage we understand separate returns will be required for each business, which dramatically increases the number of submissions required for a sole trader who is also renting out property.

In addition, individuals will be required to maintain their financial records digitally.

Individuals will be required to maintain their financial records digitally



What if non-UK domiciled or non-UK resident?

You will still need to comply with Making Tax Digital in respect of your UK sole-trader business and any UK property income.

Who is affected from April 2026?

If turnover from your rental business plus your sole-trader business, exceeds £50,000 in respect of the 2024/25 tax year then you will need to follow the Making Tax Digital rules from April 2026. The turnover threshold takes account of the combined turnover of a

person's total number of businesses and rental properties.

Who is affected from April 2027?

If turnover from your rental business plus your sole-trader business, exceeds £30,000 in respect of the 2025/26 tax year then you will need to follow the Making Tax Digital rules from April 2027. The turnover threshold takes account of the combined turnover of a person's total number of businesses and rental properties.



How will this affect you?

There are a number of ways the changes could impact you initially, including;

- A requirement to **maintain digital records**, recording each source separately.
- A requirement to make **quarterly submissions** and **an end of year final declaration to declare all your other income and gains** to tight timescales.
- **A new penalty regime** for late submission which may prove very costly, especially for individuals with more than one source of qualifying income.

- **Tight deadlines** - A requirement to have up to date records in place as you will need to submit real time information for each quarter within a month of the quarter end.
- **A challenging changeover year**, starting 2026 for those within the initial Making Tax Digital wave, as the initial new returns will be due from 7 August 2026 and quarterly thereafter, while your final self-assessment tax return for 2025/26 tax year will be due for submission by 31st January 2027.

If you do not fall within the April 2026 and April 2027 changes, then it will only be a matter of time before you experience the Making Tax Digital changes.

Tight deadlines to
submit new returns



Is there anything you should do now?

Yes. There are a number of steps you can take now to get ready for the changes.

- Review your records and consider what needs to be done to meet the new requirements and how your records could be improved to save time and costs.
- Consider if you are caught by the changes coming in April 2026 and how much extra work you wish to take on yourself.

Please do not wait until the changes are here as this could be very costly in extra tax, time, fees or penalties.

Will your tax payment dates change?

Not initially. The payment dates will remain 31st January and 31st July in the short term.

Will you still need a Self-Assessment Tax Return?

No. If you are providing submissions under Making Tax Digital there is no need to submit a Self-Assessment Tax Return.



How can we help you?

This is a new way of working for all of us and the changes do bring an increase in work for both you and us. We are currently reviewing our compliance processes to ensure we remain efficient, and effective to help you meet the new obligations whilst keeping your tax bills as low as possible.

- We can undertake a pre-Making Tax Digital review to identify the issues, quantify any possible impact and explore your options with you.
- We can review your records and identify areas for improvement to help you.
- We can provide accounting software to help you maintain your digital records.

- We can help you set up the software to ensure it meets your requirements and reporting obligations.
- We can provide training on the software.
- If you prefer, we can provide appropriate bookkeeping services.
- We can make the quarterly submissions and final submissions to HMRC on your behalf.
- We can have quarterly meetings to look at ways to help you further.

We would be happy to discuss in more detail the coming changes, and how we can help you.

Pre-MTD review to
quantify tax and options
available

HELP
THIS
WAY

If you wish to discuss Making Tax Digital for Sole Traders or other issues
please do contact us.

