

# Making Tax Digital (MTD)

## What you need to know as a holiday let owner.



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If you rent out a holiday home or short-term let, it's important to be aware of HMRC's Making Tax Digital (MTD) initiative which will require those over certain revenue levels to keep digital records and report to HMRC each quarter. Digital accounting should also make the process easier for you.

### What is Making Tax Digital?

Making Tax Digital (MTD) is part of HMRC's objective to modernise the UK's tax system. The aim is to reduce errors and streamline the tax process by requiring digital record keeping. It will result in HMRC receiving more regular information on your property income and ensure owners keep better, more accurate records.

Where MTD applies to owners, you will be required to keep digital records and send quarterly updates of your income and expenses to HMRC, using compatible software.

The requirement to submit a tax return, following the end of a tax year, will still be applicable. The year end tax return will calculate your tax payable in the same way. Payment dates for tax will also not be affected and will remain on 31st January and 31st July for the foreseeable future.

### Who Will Be Affected?

After several delays, HMRC have now confirmed that MTD will apply from April 2026. It will be phased in over 3 years, as follows:

- ▲ From April 2026 – Rental Income / Turnover exceeding £50,000
- ▲ From April 2027 – Rental Income / Turnover exceeding £30,000
- ▲ From April 2028 – Rental income / Turnover exceeding £20,000

If your letting income does not exceed £20,000, MTD will not be applicable.

For holiday let owners, the rental income / turnover threshold will be the total income (gross income) before any commission is deducted by holiday let agencies (if applicable).

### What Do You Need to Do?

To prepare for these changes, it is important to ensure you have the necessary software in place.

Using MTD compatible accounting software such as Xero, Quickbooks, Free Agent etc will ensure the process of being compliant with MTD is simple and efficient. It is also good practice to use accounting software as it streamlines record keeping and gives you real time insight into the financial performance of your holiday let business.

If you have an accountant, they will be able to guide you through the process and recommend a suitable accounting software. It is best to use one that your accountant is familiar with and can help you set up.

If you don't have an accountant, most of the accounting software providers have tutorials and support systems to help you get going.

More detail can be found on the GOV.UK page [here](#).

