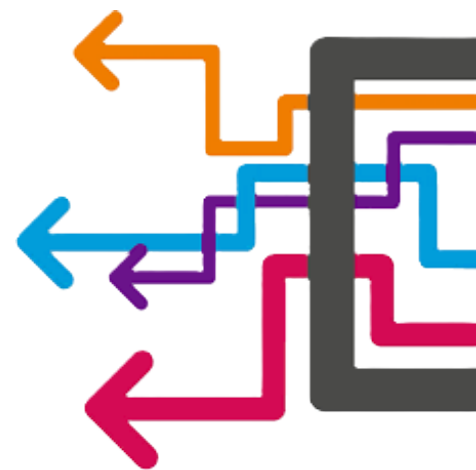




Making Tax Digital

An 'everything you need to know' guide about Making Tax Digital (MTD) including a review of several MTD compatible software.



What's included...

- ^ Making Tax Digital (MTD) for Income Tax (ITSA).
- ^ What will change under MTD?
- ^ When will you need to do MTD?
- ^ Automatic exemptions.
- ^ Permanent and temporary exemptions.
- ^ What records must be kept digitally?
- ^ How can you prepare now?
- ^ Penalty points under MTD.
- ^ Penalty system.
- ^ How to register for MTD for Income Tax (step-by-step).
- ^ Choosing software for MTD (including software comparison).
- ^ Essential software features to consider (standard and landlord).
- ^ Software for joint property owners (including recommendations).
- ^ Capital allowances - don't miss the deadline!
- ^ Contact Zeal.

Making tax digital for income tax

Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA) is one of the biggest changes to the UK tax system in years. It is designed to modernise the way individuals report and pay tax. MTD will affect many landlords of short and long term lets over the next few years but should also make things quicker and easier for you.

MTD for Income Tax is part of HMRC's wider Making Tax Digital programme. Under MTD, income and expenses from your rental properties (and sole trade business if applicable), will need to be reported digitally, every 3 months.

The goal is to reduce errors, improve accuracy, and give taxpayers a clearer idea of their tax position throughout the year.

What will change under MTD?

Digital Record-Keeping

You must use HMRC-compatible software to maintain your records. Paper records and most spreadsheets won't be acceptable on their own.



Quarterly Updates

Every three months, you must submit a summary of your income and expenses to HMRC. These updates provide a running picture of how much tax you may owe.



End of Period Statement (EOPS)

At the end of the tax year, the software will create an EOPS finalising each business or property income source for the tax year.

Here you will:

- Add year-end adjustments and reliefs manually. (e.g. use-of-home office, capital allowances, etc).
- Confirm all figures are complete.
- Correct any errors from quarterly submissions.
- Complete one EOPS per income source.

Submit Annual Tax Return

You'll still submit a year-end tax return to HMRC, but it can be done through the MTD software, making the process much easier.

HMRC's software will tally up the whole year from your quarterly updates. It will pull these into an end-of-year tax summary for you, so there's less form filling.

You'll check everything looks right and make any adjustments before submitting your tax return, such as including other sources of income like bank interest or pensions income. You can also claim tax reliefs, if you're eligible.

Once you are happy with everything, then you just need to tap submit by 31 January! This will send your tax return to HMRC, straight from the software.

Tax Return

A. General Questions

Proposed Insured's Name:
(Please use capital letters)

Birth Date: 01 January 2016 Gender: ☒ Male

Address: Email Address:

Phone Number: Social Security Number:

ID Number: Status: ☐ Single ☐ Married ☐ Divorced ☐ Others

Are you a retiree? ☐ Yes ☐ No

Occupation:

When will you need to do MTD?

If your relevant income exceeds the thresholds, you will need to do MTD. However, even if it is lower than the minimum threshold, you may still wish to go digital with your accounting for ease and speed. Relevant income will be from rental properties (and sole trade business if applicable). If you let a property jointly, it is only your share of the rental income you need to take into account for MTD.

Relevant income will be based on the previous year's taxable income. For example, it will be your taxable income in your 24/25 tax return that will be used to determine if you need to do MTD from April 2026. If your qualifying income is below the threshold, or you are exempted for genuine reasons, you do not need to do MTD.

If your relevant income exceeds the below thresholds, you will need to do MTD by:

6th April 2026

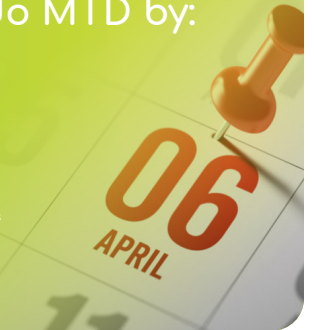
£50,000+

6th April 2027

£30,000+

6th April 2028

£20,000+



When you must send quarterly updates to HMRC :

Update period	Update deadline
6 th April to 5 July	7 th August
6 th April to 5 October	7 th November
6 th April to 5 January	7 th February
6 th April to 5 April	7 th May

Click or Scan QR code



This will take you to HMRC's free online tool where you can check if MTD is applicable to you.

Automatic exemptions

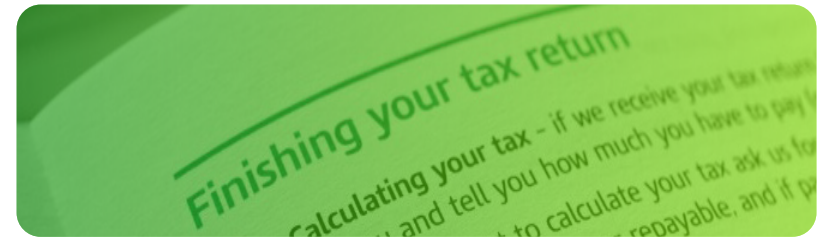
MTD only applies to people with combined business and/or property income above the threshold.

This means you are exempt if your total gross self-employment + property income is below the threshold. This includes:

- Rental income.
- Trading income.
- Overseas rental income.



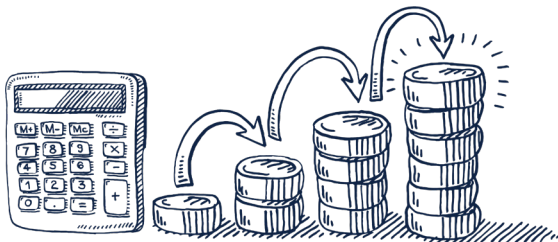
If you currently don't complete tax returns, MTD does not apply to you. MTD only applies to people with combined business and/or property income above the threshold.



You are therefore exempt if your total gross self-employment + property income is below the threshold.

If your income is below the threshold:

- You stay on standard Self Assessment.
- You do NOT have to keep digital records.
- You do NOT submit quarterly updates.



Important:

HMRC checks gross income (before expenses), not profit.

Permanent & temporary exemptions

Some people can be exempt from MTD, even if they meet the income threshold. HMRC understands that digital reporting isn't possible for everyone and will review each case to determine if an exemption can be given. You can apply for exemption if you meet the following criteria:

- You are at an age where you can't practically use technology.
- You suffer from physical or mental health conditions that make digital record-keeping difficult.
- You live in an area with no reliable broadband or mobile data.
- Your religious beliefs prevent the use of electronic devices.
- HMRC considers each case carefully and can approve any 'reasonable excuse' (e.g. Long-term illness, severe caregiving responsibility, etc).

If approved, you can continue filing paper returns and avoid MTD entirely.

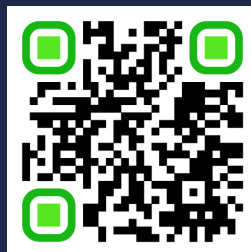
HMRC may grant you a temporary (not permanent) exemption if you have a short-term issue preventing digital compliance.

Examples include:

- Hospitalisation.
- Temporary disability.
- Bereavement.
- Major life disruption.
- Sudden loss of access to digital records.

Please Note: These must be renewed if circumstances continue.

You can apply for exemption online.



For more info, scan the QR or [click here](#).

HMRC typically take 2-6 weeks to approve or deny applications. You will be notified of the result in writing and have the option to appeal the decision if you wish to.

If you do not have access to / want to use technology, you can call the HMRC helpline on 0300 200 3310 or write to: Self Assessment, HM Revenue and Customs, BX9 1AS.

What records must be kept digitally?

Under MTD, you must keep digital records relating to your business or rental income. At a minimum, your software must record:

For landlords:

- Rental income.
- Allowable property expenses.
- Mortgage interest (if applicable).
- Property-by-property records.

For self-employment:

- Sales and income.
- Business expenses (categorised).
- VAT information (if applicable).
- Adjustments / disallowable expenses.

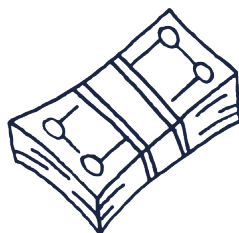
The software must also link digital records together and submit data directly to HMRC, which the examples mentioned later in this guide all do.

This means that **paper records or purely manual spreadsheets will no longer be acceptable unless connected through approved bridging software.**

Each transaction must show:



Date



Amount



Description



Property it relates to
(for landlords)

If your total gross rental income is below £90,000, HMRC recognises that your business is smaller, so the reporting requirements are simpler. You will still need to keep Digital Records, however, you do NOT need a full bookkeeping system.

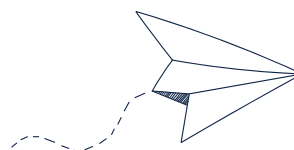
What each update needs

- One total income figure.
- One total for each expense category.
- No receipts.
- No property-by-property detail (HMRC allows simple totals for smaller landlords).

What you don't need

- No full chart of accounts.
- No property-level reporting to HMRC.
- No bank feeds.
- No automated rules.
- No complex accounting records.
- No accruals unless you want them.
- No digital invoices or receipt uploads.

How you can prepare now:



Even if you're not mandated yet, preparing early will make the transition smoother.

▲ Choose MTD-compatible software.

Cloud accounting tools like Xero, QuickBooks, and Sage are already available for MTD ITSA.

▲ Start keeping digital records now.

Begin using digital or bridging software as soon as possible to get into good habits early.

▲ Understand your reporting obligations.

Quarterly updates mean a more regular admin rhythm instead of one big annual rush.

▲ Check for exemptions if applicable.

Some people may qualify for digital-exclusion exemptions.

Penalty points under MTD

MTD will use a points-based penalty system for late submissions. When your points reach the threshold, a fixed financial penalty is charged. The good news is that points are not a permanent fixture and will expire after a period of compliance.

Every time you miss a required submission, HMRC gives you a penalty point. These apply separately to each type of obligation, such as:

- Quarterly updates (1pt).
- End of Period Statements (EOPS) (1pt).
- Final Declarations (1pt).

You can also receive penalty points for :

- Late payments.
- Failure to keep digital records.
- Incorrect submissions.

Penalty system

The amount of points that trigger a penalty varies. If you miss more than one submission, you can earn points in each category.

For quarterly updates you are allowed 4 points before a penalty, and for annual submissions you are allowed 2 points before a penalty. When you reach the points threshold, HMRC issues a £200 fine. If you continue missing submissions and reach the threshold again, this fine can be charged multiple times.

To meet the requirements for the compliance period, you must submit all required returns on time and submit any outstanding earlier returns. The length of the compliance period varies depending on the submission frequency. For quarterly updates, the compliance period is 12 months and for annual submissions the compliance period is 24 months. If you meet the conditions, your points reset to zero.

MTD also introduces a new penalty system for paying tax late. The late payments penalties are 0% if tax is paid within 15 days, 2% if paid between days 16-30, 4% if paid after 30 days, and daily interest charged until tax is fully paid. HMRC may reduce penalties if the taxpayer has made reasonable efforts to pay or engages with HMRC early.

Registering for MTD for Income Tax (MTD ITSA)

The recommended time to register for MTD is 2-3 months before your first quarterly update is due. Registering early helps prevent delays caused by identity verification problems or software connection issues.

For jointly owned property, each owner must register separately, keep their own digital records, and submit their own quarterly updates, as joint ownership does not allow a shared MTD account. Some software providers do however have the functionality to link to more than one MTD account. See pages 16 & 17 for more information on software recommendations for joint owners.

Certain groups do not currently need to register, this includes partnerships (until at least 2028), limited companies, trusts and estates, and individuals with gross property or trading income below £30,000. However, it is expected that everyone will have to register for MTD in the future.

After registering, taxpayers must submit four quarterly updates, one End of Period Statement, and one Final Declaration each tax year. This is done easily with the click of a button. Self Assessment tax returns will also no longer be required for those income sources.

Registration for MTD is done through HMRC.

Zeal have put together a step by step guide including all the information you need to register for MTD. As HMRC requires a software connection after signup, you must choose software before registering. **You will also need these details:**

- Government Gateway User ID and password (or create one during registration).
- National Insurance number.
- Business/property income information, such as:
 - ▲ Type of income (self-employed, UK property, overseas property etc).
 - ▲ When the business started.
 - ▲ Approximate income level.

You register for MTD through the HMRC MTD ITSA sign-up service (available in your online tax account). The step by step guide will show you how to reach it.

Step 1

Login to Government Gateway

Go to your personal tax account and sign in. If you don't have one, click create sign-in details and HMRC will guide you through identity checks (passport, payslip, etc).

Step 2

Go to "manage your services"

Scroll to income tax, once you have found it look for manage your making tax digital services. If eligible, you will see "sign up for making tax digital income tax".

Step 3

Tell HMRC your income sources

HMRC will ask you to confirm whether the MTD registration applies to:

- Self-employment.
- UK property income.
- Overseas property income.

You can select **one or more**.

Step 4

Enter business/property information

To help HMRC determine if you meet the £30,000 threshold, you will need to provide:

- **Business name (self-employment only).**
- Start date of letting or trade.
- Accounting period (usually 6 April–5 April).
- Expected gross income (before expenses).

Step 5

Link your MTD-compatible software

This step is mandatory.

You will need to open your chosen software and navigate to the MTD or HMRC connection section. Then click "connect to HMRC" and sign in using your government gateway details. Finally you will grant permission for the software to send updates to HMRC. Your software will now show as authorised for MTD ITSA.

Step 6

Confirmation from HMRC

HMRC will send you an email confirming that you are now signed up for MTD and you must now start submitting quarterly updates from your next relevant period.

Registration is complete.

Choosing software for MTD ITSA

MTD Software must be HMRC-recognised and include the following criteria:



Automated
bank feeds



Expense
categorisation



Digital report
generation



Mobile app
for receipts



Quarterly update
submission



Multi-property
support

If you are a joint owner (e.g. with a spouse, family member or friend), go to pages 16-17.

Software	What it does well	Who it is best for
 Xero	Full cloud accounting, bank feeds, receipt capture, direct submission to HMRC. Very user-friendly dashboards.	Self-employed clients who want an all-in-one, scalable accounting package.
 QuickBooks Online	Popular, intuitive, full bookkeeping plus MTD submission capability. Supports both VAT and ITSA.	Small businesses, freelancers, and first-time users.
Hammock  hammock	Property specialised accounting. Automated bookkeeping, property tax statements, reconciliation and investment/expenditure insights.	Landlords or joint property owners who want a one-stop shop for accounting.
FreeAgent 	Very SME / self-employed friendly. Good for simple record keeping, expenses, invoicing.	Sole traders, freelancers, and landlords who want an easy, accessible tool.

Software	What it does well	Who it is best for
Untied  The UK's personal tax app	Specifically built for MTD for Income Tax. End-to-end MTD ITSA recognised.	Landlords or sole traders who want a dedicated, cost effective tool for MTD.
123 Sheets 	Bridging software: lets you use spreadsheets (e.g. Excel) for your records, then connects to HMRC to submit.	People who like using Excel but need to comply with MTD submissions.
APARI 	Full MTD compatible record-keeping + submission software.	Self employed who want a dedicated tax submission tool, not a full accounting software.
TaxCalc / Absolute Excel Income Tax Filer 	Bridging / MTD software for people who don't mind using spreadsheets but need to send data to HMRC.	People who like using Excel but need to comply with MTD submissions.
Zoho Books 	Cloud accounting that supports MTD; good UI, good integrations.	Landlords or sole traders who want a dedicated, cost effective tool for MTD.
RentalBux 	Specifically good for landlords: supports self employment, UK property, foreign property income.	Landlords or sole traders who want a dedicated, cost effective tool for MTD.

If you choose to use a software that has not been explored in this guide, ensure that it has these essential features:

Digital Links	API connection	Software support	Updates
The software needs to make digital links between different tables or records (not manual copypaste) to comply with MTD rules.	The software should be able to send data to HMRC via API for submissions.	Not all software supports all types of income (e.g. foreign property) - check before you commit.	As MTD ITSA is newer, some software may be in development and improving or updating features over time.

You should also look for these software features :

Property-Level Reporting	Choose software that lets you break down income and costs by property - this makes your MTD submissions more accurate.
Bank Feeds	Look for tools that can connect to your bank to import rental payments and property expenses automatically.
Joint Ownership	If you own properties with other people (spouses, partners etc), check whether the software handles split ownership or profit-sharing (Hammock does).
MTD Compliance	Ensure software is officially recognised/approved by HMRC for MTD ITSA. Double-check here on HMRC's software finder.
Cost	Some tools (like RentalBux) have free tiers or trial offers. Bridging tools (for spreadsheets) are often cheaper but may require more manual setup.
Ease of Use	A system that's too complex might create more work than it saves, especially if you're not very tech-savvy.

Recommended software for joint property owners

Hammock



Hammock is a MTD-compliant software specifically built for landlords. The software supports joint ownership, partnership, or limited-company ownership. Hammock can automatically reconcile letting-agent fees, attach receipts and track income/expenditure per property.

RentalBux



RentalBux is a fully MTD-recognised software for UK property income. The software can support profit-sharing structures, so it's good for joint ownership or more complex ownership splits. RentalBux uses a cloud platform, so you can keep digital records, track expenses, bank feeds, and submit to HMRC.

Xero



Xero is a very flexible accounting software that supports UK property income. You can set up property-related accounts and split income based on ownership share. Xero is MTD-ITSA compatible so you can submit quarterly updates

Spreadsheet & Bridging Tool



If you prefer to use your own spreadsheet (e.g. Excel, Sheets, Numbers), mtd.tax provides a template and bridging tool that connects your spreadsheet to HMRC. This is more manual than an accounting app, but will save you money if you are comfortable with spreadsheets.

Landlord Vision



Landlord Vision is a MTD-compliant software specifically built for landlords. The software is good for portfolios and detailed property-level accounting. Landlord vision can handle different ownership structures.

Using software for joint property owners:

Income split matters

For MTD, each person reports their share of the rental income.

Relaxation for expenses

HMRC allows a “relaxation” for joint owners. You can report income quarterly, but only confirm / report expenses at year-end.

Digital records rules

If you're using your own spreadsheets with bridging tools rather than one of the other software recommendations above, even if you're sharing records, you need to maintain 'digital links' with no manual retyping.

Software choice

Not every MTD-approved tool supports joint ownership in a clean way. Always check that 'joint ownership' or 'split ownership' is supported in the softwares specs or documentation (or ask a demo from the provider).

HMRC Threshold

When calculating whether someone crosses the MTD threshold, only their share of the jointly owned property income counts.





Capital Allowances

The clock is ticking ...
Don't miss the deadline.

If you started letting your short-term let before April 2025, you could be entitled to claim an extra level of tax relief on part of the costs you spent to buy, build or refurbish your property.

Act before the deadline or lose valuable cash and tax savings!

KEY INFORMATION:

- ⚠ This is a specialist type of capital allowances that CANNOT typically be claimed by an accountant. You need specialists like Zeal.
- ⚠ Even if you incurred costs years ago, you could still make a claim now and secure thousands of pounds in tax savings. You may also be due a cash tax rebate!
- ⚠ No impact on CGT if the property is sold in the future.
- ⚠ An estimated 70% of owners have not yet claimed available tax relief.
- ⚠ Any capital allowances not claimed by **31 January 2027** will be lost forever (deadline slightly later for companies).

Scan the QR code or [click here](#) to find out more and arrange a free capital allowances review with Zeal to uncover if you're missing out on tax savings.



Contact Zeal



www.gozeal.co.uk



01633 499491



sykes@gozeal.co.uk

Also check out Zeal's free tax resources hub!

Access an exclusive collection of free tax articles, help sheets, guides and more at your fingertips!

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