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Infosheet | Making Tax Digital

Making Tax Digital might sound like something for your landlords and their accountants to worry about, but from April 2027 thousands more landlords will be brought into the system.
So, how much do you actually need to know?

From understanding which landlords could be affected and the records they'll need to keep, to knowing what MTD means when a self-employed applicant comes through referencing, we've broken down the changes. And, importantly, what they mean for letting agents.

Because you don't need to become a tax expert. But if you're not helping your landlords understand what's coming, who is?

DOWNLOAD THE FULL GUIDE TO DISCOVER:

- What is “Making Tax Digital”?
- Which landlords are affected?
- What reporting is involved?
- What is your responsibility?
- How will Making Tax Digital affect tenants?
- What do you need to do now?



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What it means for landlords and why letting agents need to understand it

Since April 2026, some landlords and sole traders have been required to keep digital records and report information to HMRC quarterly. However, from April 2027, many more landlords will be brought into the system as the qualifying income threshold falls.

It might sound like a tax change – and therefore something for landlords and their accountants to worry about. But is it really something letting agents can afford to ignore?

Agents don't need to become tax advisers. Nor should they be giving landlords individual tax advice. However, you probably communicate with your landlords more often than their accountant does; after all, you collect their rent, you understand their portfolio - and you should be the person they can rely on to help them understand what's changing within the private rented sector. So, if you're not talking to your landlords about Making Tax Digital, who is?



First things first: what is Making Tax Digital?

Making Tax Digital (MTD) for Income Tax is a new way for sole traders and landlords to report their income and expenses to HMRC. For those within the system, the days of simply gathering together a year's worth of financial information ahead of a Self-Assessment return have changed.

Landlords who are now subject to MTD must use compatible software to:

- Create and maintain digital records of their property income and expenses
- Send quarterly updates to HMRC, and
- Submit their tax return through compatible software after the end of the tax year.

The effect is to move record keeping from something that would often be dealt with annually, towards a continuous digital process.

However, it may not be as daunting as it sounds; the new quarterly update doesn't mean landlords need to complete four tax returns. Instead, every three months, the software totals the relevant digital records and sends HMRC a summary of income and expenses.

Also, landlords don't need to make accounting or tax adjustments before each quarterly submission; the final tax return will still be the point at which adjustments, allowances, reliefs and other income are dealt with, by the usual 31st January deadline.

Which landlords are affected?

MTD for Income Tax is being phased in according to qualifying income.

Date	Requirement
From 6th April 2026	Landlords & sole traders with a qualifying income of more than £50,000 are required to use MTD
From 6th April 2027	The threshold falls to more than £30,000
From 6th April 2028	The threshold falls again to more than £20,000

The crucial information that landlords need to understand is that it's not based on profits. Qualifying income is broadly the total gross income from property and self-employment before expenses; which is a significant distinction.

For Example...

A landlord may receive £35,000 in rent, but after mortgage interest restrictions, management costs, repairs and other expenses, they will make considerably less than £35,000.

However, for MTD purposes, it is the qualifying income before those expenses that matters. Also, property income won't necessarily be considered in isolation. This is because if someone receives £22,000 in qualifying property income and another £15,000 from self-employment, their combined qualifying income would be £37,000; meaning they could be brought within MTD from April 2027.

However, employment income through PAYE isn't included in the qualifying-income calculation; just qualifying self-employment and property income are combined.

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What quarterly reporting involves

Landlords who are within the scope of MTD will need to create digital records of property income received and relevant expenses incurred, and the records then feed into their quarterly updates.

For landlords using the standard tax-year reporting periods, the quarterly deadlines are:

7th August 2026
7th November 2026
7th February 2027
7th May 2027

Each individual update is cumulative, covering the period from the beginning of the tax year up to the end of that particular reporting period.
For example, for the November update, the landlord, doesn't report the previous three months; instead they will include the cumulative position from the start of the tax year.

This means that if records need correcting, the landlord can update them in each subsequent reporting period, and the corrected figures will be reflected in the next update rather than having to resubmit every earlier quarterly update.

Will the landlord pay tax four times a year?

MTD changes the way information is recorded and reported – but it doesn't turn Income Tax into a quarterly tax bill; the existing Self-Assessment tax payment timetable continues to apply.

However, what MTD can do is give landlords a more regular view of their financial position rather than discovering everything at the end of the year.



Your landlord's tax isn't your job. Supporting your landlord is.

Letting agents aren't accountants. You shouldn't be calculating a landlord's qualifying income, determining their tax liability or recommending how they structure their financial affairs.

But being a professional letting agent has increasingly become about more than collecting rent and arranging repairs.

Your landlords are navigating the Renters' Rights Act, changing property standards, compliance requirements, tax changes, digital reporting and an increasingly complex regulatory environment.

They won't expect you to personally solve every one of those challenges, but they may reasonably expect you to know they're coming.

That's the distinction between giving tax advice and providing a professional service.

So what could you say?

If your landlord asks you about Making Tax Digital, and you say:
"That's something you'll need to ask your accountant."

Then you're not really showing you understand their position. However, instead you could say:
"Making Tax Digital is expanding again next April. Have you checked whether you'll be affected and spoken to your accountant about what you need to have in place? It's worth finding out, as we may be able to help with your submissions with rental income statements".

The second conversation takes seconds, but it demonstrates something valuable: that you're paying attention to the things affecting your landlord's business.



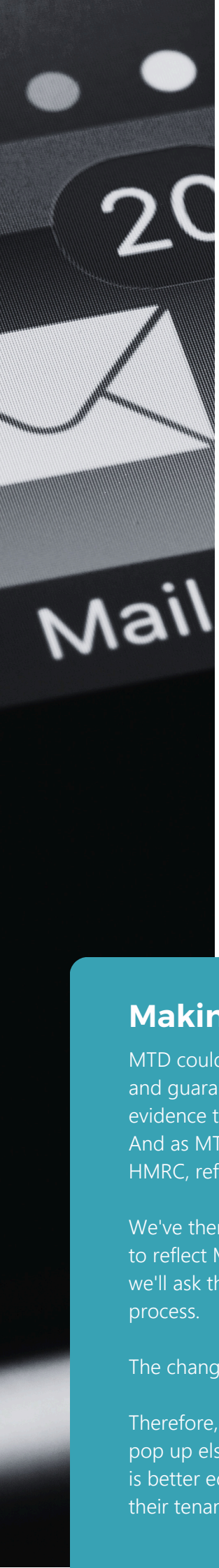
The role of an accountant in MTD

Accountants and tax agents will continue to manage many of these requirements for their clients, and your landlord will need to ensure accurate financial information is available throughout the year.

Therefore, if your landlord typically sends an accountant a folder of receipts and statements once a year, they will need to change their habits; and that's where you can help.

You may already hold information that a landlord needs: rent received, management charges, maintenance costs and landlord statements, for example.

This doesn't make you responsible for their MTD compliance; but it does mean you should be asking whether your processes make it easy for landlords to access accurate information when they need it.



What should agents be doing now?

- Explain Making Tax Digital in your landlord newsletter
- Remind landlords that the £30,000 threshold arrives in April 2027 and further deadlines
- Explain that qualifying income is calculated before expenses rather than on profit
- Flag that property and self-employment income may need to be considered together
- Encourage landlords approaching the threshold to speak to their accountant
- Check landlords can easily access their rent statements
- Make sure your team understands the basics, and where the boundary between information and tax advice lies; and
- Signpost landlords to HMRC's official MTD guidance and compatible software information.

After all, if a landlord needs to maintain accurate digital records throughout the year, you could show how easily you can provide them with information you hold.

Your landlord statement may have been something that was previously something they looked at occasionally may become a more important part of their financial administration.

And for you, making that process easy is another way you can demonstrate the value of professional management.

Making Tax Digital may affect tenants too

MTD could also crop up during tenant referencing. For self-employed applicants and guarantors, providing proof of income has traditionally involved different evidence to that provided by someone receiving a regular salary and payslip. And as MTD changes the way some self-employed people report their income to HMRC, referencing processes need to recognise that too.

We've therefore made some small changes to our referencing application forms to reflect MTD. Where a tenant or guarantor reports under Making Tax Digital, we'll ask them to provide their final declaration as part of the referencing process.

The changes are largely to the wording and information requested.

Therefore, whilst this change is largely around reporting taxes, its effects may pop up elsewhere in the lettings, and understanding the basics means your team is better equipped when a landlord, tenant or guarantor encounters MTD during their tenancy or referencing journey.

Summary

Making Tax Digital might be a tax change, but that doesn't mean it has nothing to do with letting agents.

From April 2027, landlords and sole traders with qualifying income of more than £30,000 will be brought within MTD, before the threshold falls again to more than £20,000 in April 2028.

For landlords, that means digital record keeping and quarterly reporting becoming part of running their property business. For agents, it means understanding the change well enough to make sure landlords aren't caught by surprise – and ensuring the information and support you provide keeps pace with what they need.

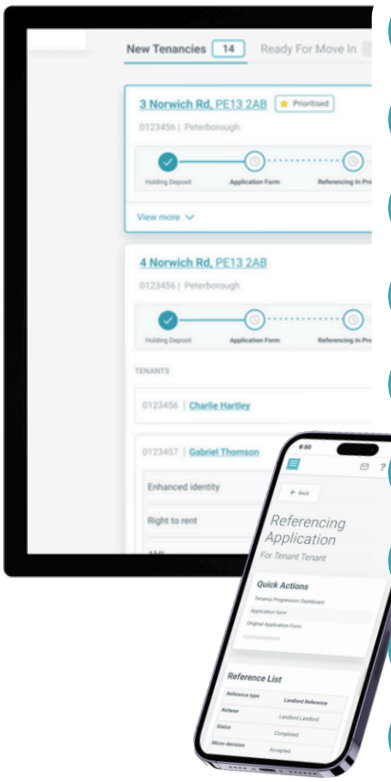
Plus MTD can touch the other side of the tenancy too. Where self-employed tenants or guarantors report under MTD, it may affect the information required during referencing, including the need to provide their final declaration – not the interim submissions.

Thankfully, you don't need to become a tax expert; but you do need to understand where it intersects with the lettings journey.



BOX FROM THE LETTINGS HUB

At The Lettings Hub, we're always here to support you through the ever-changing lettings landscape. With the Renters' Rights Act continuing to introduce new regulations, staying updated is crucial. That's why we offer a variety of resources to help you navigate these changes smoothly. From webinars and blogs to tailored guides, our platform is packed with expert insights. Be sure to follow us on LinkedIn and bookmark our Renters' Rights Hub for the latest updates, tips, and advice.



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- Elite Referencing
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