

Making Tax Digital for Income Tax (MTD for IT)

FAQs

Hazlewoods

→ I plan to do the quarterly returns myself – would Hazlewoods be happy to check my first attempt?

Yes, we would be happy to assist where we can providing the request is made in plenty of time. Whilst we would not audit the figures etc. we can carry out a reasonableness check, prior to submission.

→ Do I have to account for stock movements and depreciation each quarter?

No, depreciation is just an accounting adjustment and not allowable for tax purposes in any case. Similarly, stock adjustments would be made as part of the end of year tax return.

→ If somebody is a landlord but is 87 years old and doesn't own a computer or any technology would they still need to apply for MTD?

Would need to apply to HMRC for a 'digital exclusion exemption' which, if HMRC accept you can continue to file under normal self-assessment. Recommendation is to apply as soon as possible to ensure it's received in advance of April 2026.

→ If you do not have a government gateway, do husbands and wives have to have different email addresses?

Yes we understand that this will need to be a unique email address for each government gateway account.

→ If I am going to do the part-managed i.e. I do the quarters but Hazlewoods submit the annual return then what work are Hazlewoods doing on the annual as all of the info has already been entered in the quarterlies?

The quarterly updates are just a summary of income and expenses, which would normally be provided at the end of the tax year. Tax adjustments, claims, reliefs and allowances would not be made/applied until the year end return, as well as bringing in other sources of income such as interest, pensions, dividends, capital gains etc..

→ Can we start partly managed by Hazlewoods and eventually swap to self managed after a year or two?

Yes, of course. We will just send an updated engagement letter at that point.



Making Tax Digital for Income Tax (MTD for IT)

FAQs

Hazlewoods

→ I run accounts for several lettings businesses on Excel. How do the owners incorporate this to their tax info?

Could be provided to the owners as normal. The income and expenses would need to be categorised by the owners when creating their digital records (subject to any simplification methods available) for the quarterly updates which could be via bridging software either via Hazlewoods or using a third party bridging software.

→ Which software do you recommend? I have never kept digital records. what are costs per quarter and annually? Potentially I will hit VAT threshold, which is best software etc?

We are unable to recommend specific software and would recommend you have a look on HMRC software finder tool to see what would suit you best. We are partnered with Xero which a lot of our sole trade clients already use and Hammock is a user friendly software for landlords. Glasscubes is a bridging software for those wanting to continue to use Excel.

→ How does rent-a-room relief interact with MTD? Do I need to report that income?

Rent-a-room income does not count towards the threshold for mandation into MTD, providing it is within the tax-free amount. If you are required to comply due to other income, however, you will also need to report your rent-a-room income.

→ My gross rental income was over £50,000 in 2024/25 but will be below this in 2025/26? Would I still need to register/report under MTD?

Yes, as mandation for 2026/27 is based on your 2024/25 income and would apply for at least three tax years unless your sole trade/rental income ceases altogether.

→ What are the simplifications for owners of jointly held properties?

For jointly owned property, you can choose to create just one digital record (i.e. a single entry) for your share of property income received in a quarter rather than on a transaction by transaction basis (e.g. you could record £1,000 of income received each month as one digital record of £3,000 in the quarter). You can also choose not to report any expenses as part of the quarterly updates and bring this in at the end of year tax return instead.

→ If a qualified gas man gives you an invoice for 100 gas certificates, does this mean 100 entries for each property?

If under one invoice this should be fine to record as a single expense, for the purpose of the quarterly update given that all UK property income/expenses are recorded as a single source.

Making Tax Digital for Income Tax (MTD for IT)

FAQs

Hazlewoods

→ What is the info deadline to you for the quarterly returns, ready for your submission a month later?

To be confirmed in our engagement letters but we are currently working to a deadline of 10 working days prior to the submission deadline.

→ Does pension income need to be included in these quarterly returns?

No, this would be included in the end of year tax return but would not need to be reported in the quarterly updates.

→ If you have rental properties that are owned privately and rental properties that are owned jointly or in a Ltd company - how many submissions would that be?

Just one submission for UK property income per quarter (two if you also have foreign property income) per individual. Would only need to report income in respect of your properties owned privately/jointly and not those held via a company.

→ If you are a self-employed freelancer with income in euros and sterling, do you have to do two separate submissions?

No, providing it all relates to the same self-employment, only one submission would be required and income received in Euros would need to be converted to sterling.

→ Does an exclusion apply to a property owning SSAS or is a SSAS required to make a quarterly declaration, presumably not as a SSAS does not pay income tax?

MTD for IT only applies to individuals and therefore a property owning SSAS would not be required to comply.

→ What bridging software will Hazlewoods use? BTC software/Hub (Bright Tax) was recommended by Hazlewoods for VAT returns in the past.

Hazlewoods will use Digital personal tax bridging software. This software is, however, only available to agents and taxpayers wouldn't be able to use this to make quarterly filings directly.



Making Tax Digital for Income Tax (MTD for IT)

FAQs

Hazlewoods

→ When converting foreign income each quarter, what rate of exchange do you use?

Normal practice would be to use a year-end average rate as permitted by HMRC. Alternative methods such as spot rates or monthly/quarterly average rates will be acceptable for creation of the digital records, with an adjustment then made to the relevant figures as part of the end of year tax return (or via resubmission of the Q4 update). These rates are published on HMRC's website.

→ What would you expect to pay for the software?

Different software packages have different pricing structures depending on the level of package you require. We would recommend this is checked directly with the relevant software providers but there are some very affordable packages out there.

→ Are the quarterly submissions based on invoices raised/received or bank transactions paid/received?

The default method would be on a cash basis i.e. cash received and/or paid.

→ If using Xero, does this mean I have to change my chart of account categories to match those of the quarterly or annual return?

Xero should automatically use the information categories to populate quarterly updates.

→ Jointly held property e.g. man and wife: if one is above the threshold and the other not, then does the one below the threshold still need to do the quarterlies?

No, only the individual above the threshold would need to comply with MTD and make quarterly updates including their share of the jointly held property income.

→ I don't currently use the software. When allocating expenses to properties or the business, is there means to log an expense but not allocate it for tax purposes e.g. gifts to tenants etc?

For the quarterly updates, all that is required is a record of income and expenses and any adjustments for tax purposes can be made as part of the end of year tax return.

→ If you expense a repair bill in the quarterly returns and it turns out to be capital. Would there be a penalty from HMRC?

HMRC cannot enquire into the quarterly updates at present and can only apply penalties where digital records have not been maintained. Any adjustments for tax purposes would be made as usual as part of the end of year tax return.

Making Tax Digital for Income Tax (MTD for IT)

FAQs

Hazlewoods

→ If I complete accounts and VAT on an accruals basis, do the quarterly returns also have to be on accruals basis? Or can I do cash?

The method used should be consistent, so if you are preparing accounts on an accruals basis, your MTD quarterly updates should ideally be prepared on the same basis. An end of year adjustment, however, could be made if the cash basis is used and then an election made for the accruals basis at the year-end.

→ If I am a higher rate tax payer made up of employment income of £50,000 and rental income of £12,000 will this apply to me?

No, employment income is not taken into account and therefore you would not be mandated into MTD based under current rules/thresholds.

→ Will Hazlewoods be sending out information to bookkeepers to advise how to allocate profit and loss codes to the headings on the tax return in the digital compliant software?

Where we are carrying out the quarterly updates on your behalf we will provide clients with an Excel template which will have drop down categories for the relevant headings to select from. MTD compatible software should have similar options and often will recognise future income/expenses and automatically categorise where that income/expense has been previously recorded.

→ My plan was to get another Landmark licence. Would I need a separate licence for each source of income, i.e. property and freelance?

We would recommend that you firstly check the software you have is MTD compatible and also check the licence requirements. Some software allow for multiple sources of income to be recorded under one licence (but would require separate classifications in order to be able to make the separate quarterly updates), whereas others would require separate licences.

→ If I submit my VAT on a cash basis, can I not automatically do the MTD quarterly return on a cash basis?

The cash basis is the default method under MTD, in line with the default accounting method for most sole trade and property businesses. You can, however, choose to use the accruals basis, via an election in your MTD end of year tax return.



hazlewoods.co.uk | 01242 680000 | @Hazlewoods

We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of the material can be accepted by us. Hazlewoods LLP is a Limited Liability Partnership registered in England and Wales with number OC311817. Registered office: Staverton Court, Staverton, Cheltenham, Glos, GL51 0UX. A list of LLP partners is available for inspection at each office. Hazlewoods LLP is registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales.

HLB WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

Your key contacts:

Hazlewoods

If you are still unsure what your reporting obligations are or have further questions please get in touch with one of our experts.



Nick Haines
Partner
Head of tax



Laura Heaton
Associate Director



Katie Williams
Director



Victoria Thomas
Senior Manager



Karl Millward
Associate Director



Harriet Ellis
Associate Director



Emma Boutcher
Director

hazlewoods.co.uk | 01242 680000 | @Hazlewoods

We strongly recommend you take professional advice before making decisions on matters discussed here. No responsibility for any loss to any person acting as a result of the material can be accepted by us. Hazlewoods LLP is a Limited Liability Partnership registered in England and Wales with number OC311817. Registered office: Staverton Court, Staverton, Cheltenham, Glos, GL51 0UX. A list of LLP partners is available for inspection at each office. Hazlewoods LLP is registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales.

HLB WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK