

Making Tax Digital - Qualifying income (Lecture B1452 – 10.46 minutes)

HMRC has confirmed how it will work out whether the threshold for registering under Making Tax Digital (MTD) for income tax has been breached.

As a reminder, individuals will need to follow the requirements for Making Tax Digital for Income Tax if they are self-employed or a landlord from:

- 6 April 2026 where qualifying income exceeds £50,000;
- 6 April 2027 where qualifying income exceeds £30,000.

HMRC has confirmed that qualifying income is the total income in a tax year from self-employment and property, before deducting expenses.

To decide when an individual needs to register for MTD for a tax year, they will look at the tax return that should have been submitted in the January before the tax year being considered.

- For 2026/27, HMRC will look at the 2024/25 tax return, which should have been submitted by 31 January 2026 and check to see if qualifying income exceeds £50,000;
- For 2027/28, HMRC will look at the 2025/26 tax return, which should have been submitted by 31 January 2027 and check to see if qualifying income exceeds £30,000.

Where accounting periods are longer or shorter than 12 months, HMRC will annualise qualifying income.

All other sources of income reported through Self Assessment, such as income from employment, a partnership, or savings, do not count towards the qualifying income.

Income from more than one source

Income from all relevant sources will count towards qualifying income. For example, gross income (income before you deduct expenses) could be:

- £25,000 from rental income
- £27,000 from self-employment income

Total qualifying income is therefore £52,000.

Income from a jointly owned property

MTD for income tax may well represent a new challenge for many landlords, who currently have varying degrees of technological and tax knowledge, often deal with only a small number of transactions each month and may employ the services of a management agent to deal with their affairs. The new MTD regime may come as a shock as they will be expected to keep their own digital records, even where properties are owned jointly. and submit quarterly updates online.

Where a property is owned jointly, taxpayers must include their share of gross property income as qualifying income. For example, where a property is owned jointly and generates £56,000 of rental income in a tax year, each taxpayer will include their 50% share, so £28,000.

If the taxpayer has no income from self-employment, they will be below the threshold for MTD. If a taxpayer has a jointly owned a property and only receives notice of their share of the income after expenses have been deducted, HMRC has confirmed that they will use the net figure for qualifying income.

While HMRC has clarified when and how property income must be reported, the record-keeping practicalities must also be addressed, especially when dealing with jointly owned properties.

Other types of income

Income from a partnership does not count towards qualifying income, unless received as disguised investment management fees or income based carried interest.

As the beneficiary of a bare trust, any property or trading income received will count towards qualifying income;

As the beneficiary of an interest in possession trust, any property or trading income that is paid directly to that individual will count towards qualifying income.

Qualifying care receipts will not count towards qualifying income

<https://www.gov.uk/guidance/check-if-youre-eligible-for-making-tax-digital-for-income-tax#full-publication-update-history>