

MAKING TAX DIGITAL

ARE YOU READY FOR THE CHANGES COMING IN 2026?

With less than a year until quarterly filing under Making Tax Digital (MTD) is introduced, a recent survey has found that nearly one-third of sole traders are oblivious to the changes.

Furthermore, for the other two-thirds of sole traders who are aware of MTD, there is a large proportion who have not made any preparations. With an estimated three million sole traders, this translates to a worrying number who are not ready for MTD. The survey did not cover landlords.

From April 2026, MTD will become mandatory for sole traders and landlords with an annual income of more than £50,000. The threshold will drop to £30,000 in 2027 and to £20,000 in 2028.

GENERATIONAL GAP

The number of self-employed people has fallen considerably in recent years, although numbers have started to pick up again. Much of the recent increase is due to people working beyond the traditional retirement age, with nearly a quarter of self-employed people now aged 60 or older.

It is the older cohort of sole traders who may struggle the most with MTD. The survey found that those in the 25-to-34 age group were more likely to be well-prepared for April 2026, with a majority feeling the changes will have a positive impact on their approach to filing taxes.

IMPACT

Some sole traders have deliberately kept their income below £90,000 so that they do not have to worry about VAT registration:

- Although they will be able to use a three-line account approach based on total income and expense figures, the additional administration requirements are unlikely to be welcomed.
- The deadlines for quarterly MTD submissions are considerably tighter than the self assessment tax return deadline of 10 months; with just over a month in which to make each quarterly submission.
- Late submissions will lead to penalties.

One loophole to delay mandatory MTD is to change a sole tradership into a partnership. Rather than, for example, employing a spouse, civil partner or family member, that person could be brought in as a junior partner. MTD requirements would then be postponed, possibly for at least three years.

HMRC's guidance to find out if and when you need to use MTD for income tax can be found [here](#).

WE CAN HELP

If you require further information, please contact us on **01753 888 211** or email info@nhllp.com. We are here to help.