



# MAKING TAX DIGITAL

Self- employed individuals and Landlords

**From 6 April 2026, MTD applies to individuals with:**

**Self-employed income and/or Property (rental) income exceeding £50,000 per year**

# MAKING TAX DIGITAL (MTD)

Thinking of switching from sole trader to limited company?

Making Tax Digital (MTD) is a set of digital tax reporting requirements introduced by HMRC

These rules are transforming how self-employed individuals and landlords manage and report their taxes, gradually replacing the traditional once-a-year Self- Assessment tax return.

## **Under MTD:**

- You are required to keep digital records of your income and expenses
- You must submit quarterly updates to HMRC throughout the year
- You still complete a final declaration, but the process is now more frequent and digital

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If you're sole trader in the UK, the rollout of MTD is likely already on your radar. With the new rules from HMRC, many sole traders are asking the same question:

Should I stay a sole trader or is it time to go limited?

#### How MTD affects Sole Traders:

- Quarterly reporting (instead of one annual return)
- Mandatory software usage
- Increased admin time
- Emphasis on aligning quarterly updates with final self-assessment filings.

While manageable, it's a shift that's pushing you to consider your business structure.

#### Tax Differences:

##### As a sole trader,

You can pay up to 45% Income Tax and 6% National Insurance contributions

##### As a Limited Company,

You pay Corporation Tax (currently 19%- 25%), plus the tax on income taken via salary and dividends

# Does MTD make Limited Companies more attractive?



## **FILING REQUIREMENTS**

Unless you are VAT registered, there is currently no requirement to file quarterly returns.



## **SOFTWARE**

It is not compulsory to use software; however, it can be beneficial for managing your business as it grows.



## **POTENTIAL TAX PLANNING OPPORTUNITIES**

You have more flexibility in how you take income



## **PROFESSIONAL IMAGE**

A Limited company can enhance credibility with clients and lenders

**Please note that the tax efficiency of switching to a limited company depends on your current and expected future profits, and it may not be suitable for everyone. We recommend reviewing your finances or discussing this with us.**