The landlord challenge: adapting to MTD for Income Tax

Property Tax Personal tax

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Making Tax Digital for Income Tax will bring landlords with rental income above £50,000 into quarterly reporting, requiring behavioural change and greater adviser support.

Key Points

What is the issue?

MTD for Income Tax from April 2026 will bring landlords with gross rental income over £50,000 into quarterly digital reporting, many of whom have had little prior exposure to HMRC's digital regimes.

What does it mean for me?

Taxpayers who do not see themselves as 'in business', often with relatively small portfolios, may struggle with the shift to real-time record-keeping, creating increased demand for adviser support and more frequent interaction.

What can I take away?
The key challenge is behavioural rather than technical: advisers should focus on managing the transition, setting clear processes and using this as an opportunity to strengthen relationships and provide more proactive advice.

The introduction of Making Tax Digital for Income Tax from 6 April 2026 is often described as a broad reform affecting sole traders and landlords alike. In practice, however, one of the most significant and immediate impacts will be felt by landlords with rental income exceeding £50,000.

This group sits at the front line of the regime. Many are not structured like traditional businesses, do not employ finance teams and may have historically relied on relatively simple, often manual processes. As a result, the transition to quarterly digital reporting represents not just a compliance change, but a fundamental shift in how their affairs are managed.

For tax advisers, this creates both a challenge and a clear opportunity: to guide a large and diverse population of landlords through a demanding transition while strengthening long-term advisory relationships.

Why landlords are different

While MTD for Income Tax applies equally in legislative terms to sole traders and landlords, the practical starting point for many landlords is quite different.

As most residential property income constitutes an exempt supply for VAT purposes, many landlords – including those with relatively high gross rental income – have not been required to register for VAT and have therefore fallen outside the scope of Making Tax Digital for VAT.

Unlike VAT-registered businesses, which have already been required to adopt digital record-keeping and quarterly reporting, a significant proportion of landlords are approaching MTD for Income Tax without prior exposure to HMRC’s digital regimes. In practice, this is reflected in continued reliance on spreadsheets or manual processes.

The distinction is particularly evident among individuals who do not regard themselves as operating a ‘business’ in the conventional sense, despite generating substantial rental income.

In practical terms, the £50,000 threshold is not confined to large-scale portfolio landlords. In many parts of the UK, a portfolio of three to five residential properties will be sufficient to exceed it, while in higher-value areas (particularly London) one or two properties may generate rental income at that level. As a result, MTD for Income Tax will apply to a cohort of landlords who may not regard themselves as operating at scale and who may have had limited need for structured systems or regular reporting in the past.

For this cohort, MTD for Income Tax is not simply an extension of existing obligations, but a first substantive move into digital compliance. The challenge is therefore less about understanding the rules and more about adapting systems, processes and behaviours to meet them.

Understanding the £50,000 threshold

From 6 April 2026, landlords who have a gross rental income above £50,000 (based on their 2024-25 tax return) are required to comply with MTD for Income Tax.

As the £50,000 entry threshold is based on gross receipts rather than net taxable profit, this can be of particular relevance in the context of property income. For many landlords, deductible expenses such as mortgage interest (subject to restrictions), repairs, agent fees and other costs can substantially reduce taxable profit. As a result, landlords with relatively modest net returns may still be brought within scope.

This can be counterintuitive for taxpayers, particularly where rising interest costs or void periods have eroded profitability. It also means that some landlords who would not regard themselves as operating at a scale warranting quarterly reporting will nevertheless be required to comply.

It is worth noting that if a landlord is also self-employed, it is the total from both sources that must be used to see when MTD applies.

While the subsequent reductions in the threshold to £30,000 and £20,000 are already well signposted, the £50,000 cohort effectively serves as the first live population for the regime in a landlord context. How this group responds – in terms of compliance, behavioural change and demand for advisory support – will provide a strong indication of the challenges that will arise as the regime expands.

MTD for Income Tax in practice

In practical terms, landlords within scope must move to digital record-keeping and provide HMRC with quarterly updates via compatible software (due on 7 August, 7 November, 7 February and 7 May), followed by an end-of-year final declaration by 31 January. Late submissions fall within the points-based penalty regime, although this will not apply to quarterly updates in 2026-27.

While the compliance cycle becomes more frequent, the underlying tax payment dates remain unchanged. Income tax remains payable on 31 January and, where relevant, 31 July. Ensuring that taxpayers understand the distinction between reporting obligations and payment timings will be an important part of managing expectations.

One of the most significant practical challenges for landlords in this category is the transition year. During 2026-27, many will need to complete their 2025-26 self-assessment tax return under the existing system, while also beginning quarterly MTD reporting for 2026-27.

For landlords who are already unfamiliar with digital processes, this dual obligation creates confusion and administrative strain. There is a real risk that deadlines will be missed or that poor-quality data will be submitted simply to meet quarterly requirements.

Advisers can play a critical role here by mapping out the timeline in advance and ensuring that taxpayers understand exactly what is required and when.

Technology and the adviser’s role

While MTD for Income Tax is underpinned by the requirement to use compatible software, the real challenge for landlords lies in implementation rather than selection. Many will be unfamiliar with digital record-keeping and will look to their adviser not just for an initial recommendation, but for ongoing support in embedding new processes.

However, those already using spreadsheets may find the transition easier, as they can use bridging or filing software to send their data to HMRC every quarter. For others, acquiring a software package could be the right answer. HMRC has built a software choices website to help taxpayers choose from over 50 products available, including some free and low cost software. Find software that works with Making Tax Digital for Income Tax at GOV.UK.

For advisers, this shifts the role beyond compliance into something more operational. It involves helping taxpayers understand how to capture and categorise income and expenses correctly, ensuring that records are maintained on a timely basis and translating quarterly reporting requirements into manageable workflows.

In practice, this is likely to require a more hands-on and structured approach than under self-assessment, particularly for those taxpayers who have historically relied on informal or retrospective record-keeping. Advisers who can standardise processes and guide taxpayers towards consistent behaviours will be better placed to manage workloads and maintain reporting quality.

Jointly owned property

Joint owners need to consider their MTD position separately. For example, if total rents are £50,000, shared equally between four people, no one will need to join MTD unless their other rental or self-employment income takes them over the threshold. This is a specific easement on reporting (see the ‘Compliance tips for joint property owners’ on the ATT Making Tax Digital Hub at tinyurl.com/3su4c7sv.

Structuring considerations for landlords

MTD for Income Tax is already prompting some landlords to reconsider how their property interests are structured.

For those close to the £50,000 threshold, there may be scope to consider redistributing ownership between spouses to reduce individual income below the threshold. This must, of course, be approached carefully, taking into account wider tax implications including capital gains tax, inheritance tax and stamp duty land tax.

Others may consider incorporation, although this brings its own complexities and is not always appropriate, not least because it could trigger tax charges. The administrative burden of MTD for Income Tax may be one factor in this decision, but it should not be the only driver.

More broadly, the regime is arriving at a time of significant change in the property sector. The abolition of the furnished holiday lettings regime from 5 April 2025 and ongoing regulatory developments have already increased pressure on landlords. MTD for Income Tax adds a further layer of compliance, which may influence decisions around retaining or disposing of property assets.

Finally, a point that is often overlooked is that MTD for Income Tax is not easily exited. Once a landlord is within scope, they must remain in the regime until their income falls below the threshold for three consecutive tax years. During that time, quarterly reporting obligations continue, even if income reduces significantly or ceases altogether, unless the taxpayer has ceased all self-employment and property income since the last tax return.

For landlords who are winding down their portfolios, this can create an unexpected administrative burden. Advisers should ensure that taxpayers understand these rules in advance so that they can plan accordingly.

Opportunities for advisers

While the focus is often on the challenges, MTD for Income Tax also creates clear opportunities for advisers working with landlords. First, there is a significant pool of unrepresented taxpayers. Many landlords who previously managed their own tax affairs may now seek professional support for the first time.

Second, the move to quarterly reporting naturally increases the frequency of client interaction. This creates opportunities to provide more proactive advice, including cash flow planning, tax forecasting and strategic decisions around property ownership.

Finally, advisers who invest in robust processes and systems now will be well placed to scale their services as the thresholds reduce in future years.

In summary

For landlords with rental income above £50,000, the first year of MTD for Income Tax is likely to be demanding. Many will need to adapt quickly to new systems, processes and expectations, often while continuing to meet existing obligations.

Over time, however, more regular reporting has the potential to improve accuracy and provide better visibility of tax positions. For landlords who engage fully with the regime, this may support more informed decision-making.

For advisers, the key is to recognise that this is not simply a compliance exercise. It is a shift in how taxpayers interact with their financial information and with their adviser.

By focusing on behavioural change, setting clear expectations and providing practical support, advisers can help landlords navigate the transition and build stronger, more collaborative relationships in the process.