ZAZEN TAX

Making Tax Digital for Landlords

Property income counts toward qualifying income, and it counts gross. The first phase has already started.

Eight chapters. For anyone letting property in the UK.

zazentax.com

Contents

Chapter two decides whether the rest applies to you, and it turns on a figure the finance cost restriction hides.

1. What actually changes

Four quarterly updates and a year-end declaration, from compatible software, instead of one return.

	Now	Under MTD
Filing	One return	Four updates and a declaration
From	Anywhere	Compatible software only
Records	Any format	Digital, kept as you go
Payment dates	31 January and 31 July	Unchanged

FOUR FILINGS IS NOT FOUR BILLS

The payment dates do not move. An update is information, and no tax falls due with it.

2. Qualifying income, and why it is gross

The rent the tenant pays, before a single expense.

Qualifying income is gross income from self employment and property added together. Not profit, not rent after the agent's fee, and emphatically not profit after the finance cost restriction.

> SECTION 24 HIDES THE FIGURE THAT MATTERS
>
> The restriction makes taxable profit look small while the rent stays large. A landlord taking £60,000 of rent with £45,000 of interest has very little profit and is in scope from 6 April 2026 on the rent alone.

Add every source. Two properties at £30,000 each is £60,000 of qualifying income, and any self employment goes on top of that rather than being measured separately.

3. Jointly owned property

Your share counts, not the whole, and the share may not be what you think.

Each owner reports their share of the rent, so a couple owning a £60,000 portfolio equally have £30,000 each and may both be out of scope where a sole owner would be in.

> **MARRIED COUPLES ARE 50:50 BY DEFAULT**
>
> Whatever the deeds say. A different split requires the beneficial ownership to be different and a Form 17 election, made within 60 days of the declaration, and it only applies from the date it is made.

Both owners need figures that agree, which in practice means one of you keeps the records and both of you file from them.

4. The three phases

From	Qualifying income over	Measured on
6 April 2026	£50,000	2024/25
6 April 2027	£30,000	2025/26
6 April 2028	£20,000	2026/27

Each phase is set by the tax year two years before it starts, so by the time it applies it was decided on figures you filed long ago. The thresholds are over, not at: exactly £50,000 misses the first phase and clears the second.

5. Digital records for a portfolio

Created digitally, categorised as you go, and linked without retyping.

- Rent and expenses recorded per property as they happen, not written up before each deadline.
- Categorised on the way in, because the update reports totals by category.
- Digital links between systems: an export and import counts, reading a figure off a screen does not.
- Finance costs kept out of the expense categories, on their own line.

> A SPREADSHEET IS STILL ALLOWED
>
> But only if bridging software carries the figures to HMRC. A spreadsheet on its own does not meet the requirement.

What a digital link actually is

Any transfer of figures between systems that happens without a person retyping them. Exporting a file and importing it is a digital link. A formula pulling from another sheet is a digital link. Reading a total off a bank statement and typing it into your records is not, however carefully you do it.

You still keep the underlying evidence

Tenancy agreements, invoices, completion statements and bank statements are kept exactly as they were, for five years after the 31 January following the tax year. What changes is that the summary of them lives in software rather than in a folder.

6. The four quarterly updates

Quarter	Standard period	Due
1	6 April to 5 July	7 August
2	6 July to 5 October	7 November
3	6 October to 5 January	7 February
4	6 January to 5 April	7 May

You can elect calendar periods instead, running to the month end, and the deadlines are identical. The election is made in your software before the first update of the tax year and is then fixed for the year.

> **AN UPDATE IS A RUNNING TOTAL**
>
> Cumulative for the year to date, not a quarter in isolation. Nothing is claimed or adjusted until the final declaration, so a quarter that looks wrong in August is corrected by the November figure rather than by amending anything.

7. The final declaration

This is what replaces the return, and where the year is actually settled.

- Made after the fourth quarterly update.
- Adds everything outside the property business: employment, dividends, interest.
- Applies the finance cost reduction, reliefs and allowances.
- Due 31 January, as the return was.

The finance cost reduction is applied here rather than in the quarterly updates, which is another reason a quarter's figures are not a tax bill.

What does not change

	What happens
When you pay	31 January and 31 July, as now
Payments on account	Unchanged, and on the same trigger
How property profit is worked out	Unchanged
The finance cost restriction	Unchanged
Allowable expenses	Unchanged
Capital gains on a sale	Still its own 60 day return

> THE TAX ITSELF IS NOT BEING REFORMED HERE
>
> This is a change to how and how often you report. Every rule about what is taxable and what is deductible is the same the day after as the day before.

8. Getting ready

— Add up your gross rent, per owner, across every property.

— Add any self employment income to it.

— Check the total against the phase that applies and note the date.

— Choose software that handles property, not just self employment.

— Authorise it with HMRC well before you need it.

— Start recording per property and categorising now.

— Decide standard or calendar periods before the first update.

Where to go next

The MTD Quarterly Update Workbook works out whether you are in scope from your gross rent and lays out both sets of quarter dates. The MTD for Landlords Readiness Checklist covers chapter eight in order.

Every calculator and workbook mentioned in this book is free on zazentax.com, with no email form. They use the same figures and the same rates as the chapters here.

Zazen Tax

Accountants for landlords. If you would rather someone else did this, that is what we are for.

zazentax.com/contact

General information, not advice for your circumstances. Rates are 2026/27 for the UK and change from time to time. Regulatory items are England unless stated.