What will MTD mean for you?

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Making Tax Digital (MTD) for Income Tax will affect many freelance and self-employed workers across the creative industries. However, every member's working pattern is different, and understanding how the changes might apply in practice can be challenging.

To help illustrate some of the key issues, we've developed a series of examples based on common working arrangements found across film, TV, live events and related sectors. These examples highlight areas such as seasonal earnings, mixed PAYE and freelance income, long-term contracts, overseas work and limited company arrangements.

The examples are intended as general guidance only and do not replace professional tax advice.

Example 1: High-End Film Production Specialist

A self-employed camera operator who primarily works on commercials and feature films.
Each year they undertake a handful of highly specialised roles, such as motion-control camera programming or underwater camera work, which provide only a few days of employment each time.
Most of their income comes from general camera operating work, and they experience periods between projects when no work is available.

Key points:

- To assess qualifying income for a tax year, HMRC will look at the Self Assessment tax return submitted in the previous tax year!
  For example, to assess their qualifying income for the tax year 2026 to 2027, we'll look at the tax return submitted by 31 January 2026. This tax return is for the tax year 2024 to 2025.
- For more support please visit:
  - Find out if and when you need to use Making Tax Digital for Income Tax - GOV.UK

Work out your qualifying income for Making Tax Digital for Income Tax - GOV.UK

- Individuals need to send quarterly updates for each self-employment and property business they have. Their compatible software will add together digital records for each business, creating quarterly updates. Individuals simply need to check these are accurate and send them via chosen software. You can read more about quarterly updates here: https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax/send-quarterly-updates
- Individuals should choose software that fits their business needs (e.g. sole trader, landlord or agent), supports digital record-keeping and filing, and integrates with existing systems if needed.
- HMRC's official sites can help individuals find software that works with Making Tax Digital for Income Tax based on their specific needs: https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax
- HMRC expects quarterly updates to be accurate based on the best available information at the time, but taxpayers do not have to make a declaration of accuracy when these are submitted. Since individual's tax estimate relies on accurate quarterly updates, they will get the best results if their quarterly updates are as accurate as possible.
- If individuals become aware of an error or omission, they should correct the relevant quarterly update as soon as possible. HMRC allows corrections or changes to previously submitted quarterly updates before individuals submit tax returns for that tax year. After the tax return has been submitted, any changes must be made by amending the tax return
- Individuals with irregular income or expenses should consider how quarterly reporting fits with the way they run their business. Understanding seasonal fluctuations, one-off transactions or periods of low activity can help them plan for keeping digital records and submitting quarterly updates in Making Tax Digital for Income Tax.

Example 2: Live Events Technician

A self-employed live events technician who works on major music festivals and outdoor events. During the summer season they regularly work very long hours and consecutive weeks, but demand drops sharply for the rest of the year, leaving them with limited work outside the peak events season.

Key points:

- Individuals with seasonal income should consider how they will maintain digital records during busy periods, such as festivals, events or peak trading seasons. Keeping records up to date can help support the timely submission of quarterly updates.

- Individuals should also consider their current record-keeping arrangements, including whether they use an agent or bookkeeper, as well as their chosen software, to understand what may be needed to meet Making Tax Digital for Income Tax requirements.
- When individuals join Making Tax Digital for Income Tax, changes to late payment penalties and late submission penalties may apply. You can find out more at: https://www.gov.uk/guidance/penalties-for-making-tax-digital-for-income-tax
- In Making Tax Digital for Income Tax, when individuals create records of income or expenses for self employment or property income, they will need to record specific information such as:
    - amount
    - date when the income was received or expenses incurred
    - category, depending on record-keeping requirements
- Making Tax Digital for Income Tax uses the same categories of income and expenses as Self Assessment.
  You can read more about creating digital records here: https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax/create-digital-records
- Rather than pulling together records in one go before submitting a tax return, under Making Tax Digital for Income Tax, the record keeping is spread across the tax year. Keeping digital records in software enables software to automatically populate quarterly updates, and in turn the tax return. Whilst individuals may still need to make adjustments before submitting their tax return, time spent creating digital records throughout the year is saved when it comes to later submitting the tax return. You can read more here: https://www.gov.uk/government/publications/get-ready-for-making-tax-digital-for-income-tax/benefits-of-making-tax-digital

Example 3: Retired Television Specialist

A former television post-production specialist who retired from the industry several years ago. They were approached to work on a specific project because of their unique expertise and long experience in a specialist area. They accepted this short-term engagement but do not intend to return to regular employment or undertake further projects after its completion.

Key points:

- Making Tax Digital for Income Tax is a new approach that helps customers avoid errors and makes their tax returns easier. From 6 April 2026, some sole traders and landlords must use it, based on their total annual income from self-employment and property. Individuals, or their agent if they have one, will need to use software that works with Making Tax Digital for Income Tax to:
    - create digital records of self-employment and property income and expenses

• send quarterly updates to HMRC
• submit a tax return by 31 January the following year

This will help individuals stay on top of their tax affairs and business planning, supporting them to grow their business.
You can read more about Making Tax Digital for Income tax here: https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax/introduction

- To assess qualifying income for a tax year, HMRC will look at the Self Assessment tax return submitted in the previous tax year.
  For example, to assess qualifying income for the tax year 2026 to 2027, we'll look at the tax return that individuals need to submit by 31 January 2026. This tax return is for the tax year 2024 to 2025.
  For more support please visit:
  - Find out if and when you need to use Making Tax Digital for Income Tax - GOV.UK
  - Work out your qualifying income for Making Tax Digital for Income Tax - GOV.UK
- Once an individual is required to use Making Tax Digital for Income Tax, they will not be able to opt out until their qualifying income has been below the Making Tax Digital for Income Tax threshold for three consecutive years.
  If their source(s) of qualifying income has stopped permanently (ceased) they can notify HMRC by using their HMRC online services account. This can be done in the 'Managing your Income Tax' updates section. Individuals can do this by entering the date the income source stopped. After they've notified HMRC, they will not need to send any quarterly updates for the ceased income stream once the business has ended.
  - You can read more about exemptions here: https://www.gov.uk/guidance/find-out-if-you-can-get-an-exemption-from-making-tax-digital-for-income-tax

Example 4: Long-Contract Freelancer

A self-employed VFX supervisor secures a contract on a major film production lasting 18 months. During this period they work almost exclusively for one client and have little time to seek other work. Once the project ends, they may spend several months without income while looking for their next engagement.

Key points:

- Customers who work primarily for one organisation may wish to consider whether they are correctly identifying their employment status. Some individuals may assume they are effectively employees because of the nature of their working arrangement, even though they are operating as self-employed for tax purposes. Understanding employment status can help ensure individuals meet the correct tax obligations, including any requirements under Making Tax Digital for Income Tax.
  More information on employment status is available on GOV.UK: https://www.gov.uk/employment-status
- Where the individual is operating as a self-employed contractor as described above, they will need to maintain accurate digital records of all business income and expenses. This should include details of their payment arrangements, such as regular payments, bonuses, or any other income received in line with Self Assessment reporting rules. They should also establish how business-related expenses are managed, including whether costs are reimbursed by the engaging business or incurred personally, as these transactions will need to be recorded appropriately within their digital records for Making Tax Digital purposes.
- Individuals need to send quarterly updates for each self-employment and property business they have. Their compatible software will add together digital records for each business, creating quarterly updates. Individuals simply need to check these are accurate and send them via chosen software. You can read more about quarterly updates here: https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax/send-quarterly-updates
- Once an individual needs to use Making Tax Digital for Income Tax, they will not be able to opt out until their qualifying income has been below the Making Tax Digital for Income Tax threshold for three consecutive years.
- If their source(s) of qualifying income has stopped permanently (ceased) they can notify HMRC by using their HMRC online services account. This can be done in the ‘Managing your Income Tax’ updates section. Individuals can do this by entering the date the income source stopped. After they have notified HMRC, they will not need to send any quarterly updates for the ceased income stream once the business has ended.

Example 5: Mixed PAYE and Self-Employment Worker

A lighting technician works part-time under PAYE for a theatre venue throughout the year but is also self-employed, taking on freelance work for festivals, concerts and touring productions. Their self-employed income fluctuates significantly depending on the season and availability of projects.

Key points:

- Qualifying income for Making Tax Digital for Income Tax is the total income an individual receives in a tax year from self-employment, UK property and foreign property.
- All other sources of income reported through Self Assessment, such as income from employment (PAYE), a partnership or dividends (including those from an individual's own company), do not count towards qualifying income, but will be included in their end of year tax return which will be submitted through their chosen software.
- HMRC will assess an individual's gross income (also called turnover) before deducting expenses. *For example, gross income (income before deducting expenses) could be:*
    - *£25,000 from rental income*
    - *£27,000 from self-employment income*
    - *In this example, the total qualifying income would be £52,000.*
- For more support please visit:
    - [Find out if and when you need to use Making Tax Digital for Income Tax - GOV.UK]
    - [Work out your qualifying income for Making Tax Digital for Income Tax - GOV.UK]
- If individuals have expenses/income with no receipts such as cash in hand payments, pay as you go mobile phone bills etc., they do not need to upload copies of receipts or invoices when creating digital records. However they will need to record the amount, the date the income was received or the expense was incurred, and the relevant income or expense category. Making Tax Digital for Income Tax uses the same categories of income and expenses as Self Assessment.
- Individuals must also continue keeping records as they normally would for Self Assessment, including original records or supporting documents (or copies of them) used to prepare their tax return, such as bank statements and invoices. For more information, see: https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax/create-digital-records.
- Once an individual needs to use Making Tax Digital for Income Tax, they will not be able to opt out until their qualifying income has been below the Making Tax Digital for Income Tax threshold for three consecutive years.
- If their source(s) of qualifying income has stopped permanently (ceased) they can notify HMRC by using their HMRC online services account. This can be done in the 'Managing your Income Tax' updates section. Individuals can do

this by entering the date the income source stopped. After they have notified HMRC, they will not need to send any quarterly updates for the ceased income stream once the business has ended.

Example 6: International Location Worker

A self-employed camera operator spends several months each year working on overseas productions in different countries. They remain UK tax resident and continue to manage their UK tax affairs, but may be away from home and have limited access to records or administrative support while on location.

Key points:

- To participate in Making Tax Digital for Income Tax individuals must be a UK tax resident and have a National Insurance number.
- If the individual is a UK resident and has qualifying income above the Making Tax Digital for Income Tax threshold from self-employment, UK property or foreign property income, they would be required to use Making Tax Digital for Income Tax.
- UK residents are generally required to pay UK tax on their worldwide income, including foreign income: **Tax on foreign income: Overview - GOV.UK**
  Where tax has already been paid overseas, relief from double taxation may be available: **Tax on foreign income: If you're taxed twice - GOV.UK**
  Making Tax Digital for Income Tax does not change these tax rules; however, individuals must keep digital records of foreign income and record amounts in pounds sterling (GBP), retaining details of any exchange rates used.
  You can read more about creating digital records here: Use Making Tax Digital for Income Tax - Create digital records - Guidance - GOV.UK
- If an individual works while travelling or staying outside the UK, they should ensure their business records for income from self employment, UK and foreign property can still be created, stored and accessed digitally to remain compliant with Making Tax Digital for Income Tax requirements. While there may be practical challenges, such as limited or unreliable internet access, individuals should consider whether they will have the connectivity, technology and access to digital services needed to maintain their records and send information to HMRC when required.
- Working outside the UK does not automatically remove obligations to comply with Making Tax Digital for Income Tax requirements. If Making Tax Digital for Income Tax applies, individuals are still responsible for keeping the required digital records and send information to HMRC using compatible software, unless you have been formally granted an exemption.
  - For more information about exemptions see:
  https://www.gov.uk/guidance/find-out-if-you-can-get-an-exemption-from-making-tax-digital-for-income-tax

Example 7: Limited Company Director with PAYE Engagements

A television production professional operates through their own limited company for some contracts, invoicing clients through the company and paying themselves a combination of salary and dividends.
During the same tax year, they also undertake short-term engagements under PAYE with broadcasters and production companies. Their income is therefore split between company income and employment income.

Key points:

- Qualifying income for Making Tax Digital for Income Tax is the total income an individual gets in a tax year from self-employment, UK property and foreign property.
- All other sources of income reported through Self Assessment, such as income from employment (PAYE), a partnership or dividends (including those from your own company), do not count towards qualifying income. Income from Limited companies and partnerships are not counted towards qualifying income.
- HMRC will assess gross income (also called turnover) before deducting expenses.

  For example, gross income (income before deducting expenses) could be:
  - *£25,000 from rental income*
  - *£27,000 from self-employment income*
  - *In this example, your total qualifying income would be £52,000.*

- Individuals should check whether qualifying income from self-employment and property exceeds the Making Tax Digital for Income Tax threshold. For more support please visit:
  - Find out if and when you need to use Making Tax Digital for Income Tax - GOV.UK
  - Work out your qualifying income for Making Tax Digital for Income Tax - GOV.UK

Example 8: Director-Employee of a Personal Service Company

A freelance editor runs a limited company through which all of their creative work is contracted.
They are formally employed by their own company and receive a modest salary, with additional income taken from company profits.
Their workload varies considerably, with periods of intensive project work followed by gaps between commissions.

Key points:

- Qualifying income is gross income (income before deducting expenses) from self-employment and property. All other sources of income reported through Self Assessment, such as income from employment (PAYE), a partnership or dividends (including those from your own company), do not count towards qualifying income.
  You can find more guidance on qualifying income here: https://www.gov.uk/guidance/work-out-your-qualifying-income-for-making-tax-digital-for-income-tax
- Limited companies do not have to use Making Tax Digital for Income Tax, but may already use Making Tax Digital for VAT if they are VAT registered.
- In this scenario, the individual is an employee of the company, and therefore their PAYE income will be taxed at source by the limited company, therefore the individual does not have qualifying income which requires them to use Making Tax Digital for Income Tax.
- If an individual receives income through a limited company, such as dividends, this is not included in Making Tax Digital for Income Tax quarterly updates. The limited company remains responsible for its Corporation Tax obligations, and may still need to complete a Self Assessment tax return to report income received from the company, including dividends where applicable. You can read more on GOV.UK: https://www.gov.uk/company-tax-returns