
Jointly Owned Property and Making Tax Digital

What Landlords Need to Understand Before April 2026

1. Why Joint Ownership Changes the MTD Conversation

Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) represents one of the most significant changes to the way landlords report income. From 6 April 2026, individuals with qualifying income of £50,000 or more will be required to maintain digital records and submit quarterly updates to HMRC.

For landlords with straightforward, single ownership structures, the rules are relatively clear. However, where property is jointly owned, the position becomes more nuanced. The key point is that MTD applies at the level of the individual, not at the level of the property.

This distinction is critical. Many landlords initially assume that if a property generates income above the threshold, all owners will be brought within MTD. In reality, each individual is assessed based on their share of that income, combined with any other qualifying income they receive.

Understanding how joint ownership interacts with the MTD thresholds is therefore essential in determining whether, and when, the new rules will apply.

2. How the £50,000 Threshold Is Applied in Practice

The £50,000 threshold is based on an individual's combined gross income from property and self-employment in the 2024/25 tax year. The use of gross income is important. It means the calculation is made before any expenses are deducted, which often results in a higher figure than landlords expect.

Where property is jointly owned, the position becomes more nuanced. Each individual must include only their share of the rental income, but that share must then be combined with all other relevant income sources. This includes income from other properties, furnished holiday lets, and any trading activity.

For example, a landlord may assume that because a jointly owned property generates £40,000 of rental income, they are outside the MTD regime. However, if their share is £20,000 and they also have £35,000 of trading income, their total qualifying income becomes £55,000, bringing them within scope.

It is also important to recognise that this test is applied on an individual basis. Two individuals with identical property interests can have very different outcomes depending on their wider income. This creates a situation where one owner may be required to comply with MTD while another is not, even though they share the same property.

3. Modelling Scenario: Same Property, Different Outcomes

Consider a property that generates annual rental income of £24,000 and is owned equally by two individuals.

Each owner's share of income is £12,000.

If one owner has no other income, their total qualifying income remains £12,000, well below the MTD threshold. They would not be required to comply with MTD from April 2026.

However, if the second owner also has self-employment income of £42,000, their combined qualifying income becomes £54,000. In this case, that individual would fall within MTD, even though the underlying property is identical.

This illustrates a key point. MTD status is determined by the individual's overall income position, not by the property itself. Two joint owners can therefore find themselves subject to completely different reporting obligations.

4. Digital Record-Keeping: What Each Owner Must Maintain

Once within MTD, the requirement to maintain digital records becomes ongoing rather than annual. This is not simply a change in format, but a change in how records are maintained throughout the year.

For jointly owned property, each individual is responsible for maintaining records that reflect their share of the income and expenses. This does not mean duplicating the entire set of property accounts, but it does require clarity over how figures are derived.

In practice, this means that each owner must be able to demonstrate:

- How their share of rental income has been calculated
- How expenses have been apportioned
- The timing of transactions within the reporting period

Where one individual manages the property finances, there is often a tendency for other owners to rely on informal summaries. Under MTD, this becomes riskier. Each individual remains responsible for the accuracy of their own reporting, regardless of who manages the underlying records.

This is particularly important where ownership is not equal, or where different types of expenditure are shared in different proportions. Without a consistent and documented method of allocation, discrepancies can arise between owners' submissions.

5. Simplified Digital Records for Joint Property

To reduce administrative burden, HMRC allows landlords to maintain simplified digital records for jointly owned property. This flexibility is helpful, but it needs to be understood correctly.

The simplification relates to how transactions are recorded, not whether they are recorded. Landlords are permitted to aggregate transactions within a reporting period, rather than recording each individual receipt or payment.

For example, where monthly rent of £1,000 is received, it is acceptable to record a single quarterly figure of £3,000 rather than three separate entries. Similarly, categories of expenses can be grouped together rather than recorded line by line.

However, this does not remove the need for underlying accuracy. The totals must still reconcile to actual income received and expenses incurred. Supporting documentation must still be retained, and the ability to explain how figures have been derived remains essential.

In practice, this means that while the number of entries can be reduced, the discipline around record-keeping must remain.

6. Quarterly Reporting and the Practical Shift in Compliance

The move to quarterly reporting is one of the most significant operational changes under MTD. For many landlords, the challenge is not the calculation of income, but the frequency with which it must now be reported.

Instead of reviewing rental income once a year, landlords will need to engage with their records on a quarterly basis. This requires systems and processes that are capable of producing accurate figures at regular intervals.

For jointly owned property, this creates an additional layer of coordination. Each owner is required to submit their own quarterly updates, even if the underlying property is managed centrally.

This can lead to practical challenges where:

- Information is not shared in a timely manner
- One owner is more engaged than others
- Different software solutions are being used

Without a coordinated approach, there is a risk that quarterly submissions become inconsistent, even where the underlying figures are correct.

7. The Joint Property Easement: Reducing Complexity

Recognising the potential complexity, HMRC has introduced an easement specifically for jointly owned property. This is designed to reduce the burden of quarterly reporting, particularly in relation to expenses.

Under this easement, landlords are not required to include expenses relating to jointly owned property in their quarterly updates. Instead, those expenses can be finalised and reported at the end of the tax year.

This is a practical concession. It acknowledges that expense information is often less readily available than income, particularly where costs are shared between owners or settled at different times.

However, it is important to understand that this is an option, not an exemption. Landlords can choose to include expenses in their quarterly updates if they wish, but they are not required to do so.

The benefit of the easement is that it allows quarterly reporting to focus on income, while ensuring that expense figures are finalised accurately at year end.

8. Practical Example: Applying the Easement

To illustrate how this works in practice, consider a landlord who receives £3,000 of rental income in a quarter from a jointly owned property.

Under the standard rules, both income and expenses would be reported in that quarter. However, where the easement is applied, the landlord can report the £3,000 of income and defer the reporting of expenses.

Those expenses might include repairs, insurance, letting agent fees and other costs incurred during the year. Rather than estimating these figures on a quarterly basis, the landlord can wait until the end of the tax year, when all costs are known and can be allocated accurately.

This approach reduces the risk of error and avoids the need to revise figures later. It also reflects how many landlords already manage their records in practice, with expenses often reviewed periodically rather than in real time.

9. Where Joint Ownership Creates Additional Risk

Joint ownership introduces complexity not just in calculation, but in responsibility. Each individual is responsible for their own reporting, even where the underlying activity is shared.

This creates a number of potential risk areas.

Where ownership percentages are unequal, errors can arise if income or expenses are split incorrectly. Where one individual manages the property, other owners may not have full visibility of the underlying records. Where different owners fall inside and outside MTD, their reporting obligations diverge.

In more complex structures, such as family arrangements or informal partnerships, these issues can become more pronounced. Without clear documentation and consistent processes, there is a risk that figures reported by different individuals do not align.

While this may not always result in immediate enquiry, it increases the likelihood of discrepancies being identified over time.

10. Key Takeaways

The introduction of MTD does not change how rental profits are calculated, but it does change how and when they are reported. For jointly owned property, the key principle is that everything operates at the level of the individual.

Each owner must assess their own position, maintain their own records, and meet their own reporting obligations. The fact that a property is jointly owned does not create a single compliance position.

The practical impact is that landlords need to move from an annual, often retrospective approach to a more structured and continuous process. This is as much a behavioural change as it is a technical one.

Understanding how income is allocated, how records are maintained, and how reporting is coordinated will be central to a smooth transition.

11. Talk to us

If you own property jointly, we can help you assess how MTD will apply to your specific circumstances.

We can review income allocations, confirm whether you will fall within the new rules, and help you implement digital record-keeping systems that are both compliant and practical.

We can also assist with quarterly reporting and ensure that income and expenses are correctly attributed across multiple owners.

As with most changes of this scale, early preparation makes the transition significantly smoother.

You can:

- **Email:** info@drs-tax.com
- **Telephone:** 020 8059 1891
- **Submit an enquiry** via our [Contact Us](#) page
- **Book a free 15-minute consultation**