Guide to Making Tax Digital (MTD)

From April 2026 the way that self-employed people (and landlords), including childminders, will need to record and report income will be changing over a three-year period.

- From April 2026, those with **income** of over £50,000 for the 2024 to 2025 tax year will need to use MTD
- From April 2027, those with **income** over £30,000 for the 2025 to 2026 tax year will need to use MTD
- From April 2028, those with **income** over £20,000 2026 to 2027 tax year will need to use MTD
- There are no plans at present for those with income under £20,000 to use MTD

HMRC will contact everyone that they believe is due to move to MTD to inform you to sign up, but advise that if you don't hear, you will need to sign up using the same user ID and Password you set up when you registered for self-assessment.

Some people are exempt from MTD and there are different reasons why you may be exempt. For example you may be digitally exempt or not have a National Insurance Number. Some exemptions are temporary and others permanent as listed.

What is different?

Software

You will need to use compatible software that will link to the HMRC. There are both free and paid for versions to choose from. HMRC hasn't created its own software but has worked with several software companies to ensure that their free versions are MTD compliant.

If you currently use a method of accounting such as using a spreadsheet, you can choose 'bridging software' that will enable you to continue to use it.

Find a choice of software that suits you. The free versions are not as comprehensive, but HMRC say these will work well for childminders who only have income from childminding. If childminders have other businesses too, then a paid version would be best for more complex accounts. Some paid versions start at around £4 per month.

HMRC say that lots of software has a focus on being easy to use, some have features for scanning receipts and some send reminders of tax deadlines.

Members Recommendations

Some of our members have kindly shared information with us about FREE platforms they have signed up to and are happy with so far, including good customer service and swift replies to queries even over a bank holiday weekend.

- Acxite
- Taxheaven

Childminding UK have negotiated childminders discount on MTD software platform Nomi. Members can access 20% discount and other childminders 10% discount.

- Members Code CMUMTD20
- Non Members Code CMUMTD10

Please ensure you choose the correct code as NOMI staff will check membership status with Childminding UK. (The discount information for Childminding UK Members is also in the Discounts section of their Dashboard.)

Quarterly Updates

Income details will need submitting every quarter, straight from your software. If you log your income and expenses as you go along, HMRC say these updates can be done with a 'touch of a button'.

These updates aren't tax returns, but summaries of how your business is doing in each quarter. You will be able to see an estimate of your tax bill to help you plan for this. The deadline for paying any tax due will still be January 31st.

Quarterly Update Dates

Below are the standard update periods

Update period	Update deadline
6 April to 5 July	7 August
6 April to 5 October	7 November
6 April to 5 January	7 February
6 April to 5 April	7 May

If you prefer, you can choose to match your update periods to the calendar year. These end on the last day of the month and will make your record keeping simpler if your accounting period ends on 31 March.

You will still submit a tax return, but your software will tally up the whole year from your quarterly updates and create an end of year tax summary for you to make completing your tax return easier.

You can still make any adjustments needed before submitting your tax return, such as including other sources of income like bank interest or pensions. And you can claim tax reliefs if you're eligible.

When it is done, click submit and the details will be sent directly from your software. There is no change to the way you pay income tax due or the payment dates.

Childminding Expenses

For several decades, childminders have had specific allowable expenses that were put in place to ease the admin burden and to reflect that for childminders, there is arguably more wear and tear to a childminder's home than for other people who work from home.

When Childminding UK first met with HMRC regarding MTD, we were assured (as were the other support organisations) that childminder expenses wouldn't change for those transitioning to MTD. This turned out to be inaccurate!

HMRC says that childminders **can still claim for all business expenses, including wear and tear,** but the way you will claim is changing for those on MTD. Childminding UK believes that the published guidance does not give enough detail so asked for more clarification on the list of questions and scenarios we submitted on our members behalf. We have now received information about **Overarching Principles** you can use when making your calculations but have been told that we will be contacted again with the specific scenarios we provided.

The Overarching Principles are:

- When you need to apportion costs between personal and business use, **any just and reasonable method will be acceptable**. For example, this could be based on area and time use for gas/electricity costs – and this may be much more than the 33% specified in the existing guidance. HMRC do not specify one method as it is unlikely to be suitable for every business
- You do not need to do a separate calculation for every single expense so a reasonable percentage for an overall type of expenditure, e.g. food, can be applied to all costs of that type for the year (or multiple years if it remains reasonable)
- If you don't get a receipt for a cost, making a simple note of the expense at the time, for example in your cashbook or a note on your phone, will be perfectly acceptable – date, item/reason, amount. This can then form the basis for creating the digital record for those in MTD. Many business transactions happen without getting a receipt – a receipt isn't necessary to get a deduction, but it is good evidence of the expense
- Apportionment is based on use, not on the immediate reason for the cost. If it helps, consider this: if you use your car partly for business, you would not claim 100% of the repair/towing costs if it burst a tyre on a business journey (or 0% if it was on a personal journey) – the same principles apply when considering a sofa
- There is likely to be an element of estimation in every apportionment and this is acceptable. Similarly, rounded percentages are fine, you can use 80% instead of 78.35% etc – we do not require an excessive level of accuracy
- Self-employed childminders cannot get a deduction for the value of their own time worked because this is not a cost their business is incurring (they are their business). But they can of course get a deduction for the costs of paying other people to do that work, e.g. an assistant, a cleaner or a decorator

Our HMRC contact also said: 'I appreciate the level of concern your members have about abiding by tax rules for their business. In short, keeping good (not necessarily perfect) records and being able to justify their method of apportioning costs is in most cases all that is required.'

The above principles can be used for **any** expense you have that is a shared cost for your family and your Childminding business. Many of our members are telling us that for some household expenses, you will be able to claim more, for, example heating and lighting as the 33% cap is not in place for those on MTD.

For wear and tear, you will claim the actual costs of repairing or replacing items, using the overarching principles above, that weren't claimed under the 10% wear and tear allowance. This means for **anything in your home that is used jointly for childminding and your family**, the amount will need to be worked out initially, but these calculations will then stand until something in your business changes, such as changes to your working hours. Items such as replacement cushions, rugs, sofas, cooking utensils, kitchen appliances such as toasters and even lightbulbs and dishwasher tablets will be calculated using the same principles.

You can find out more about the government guidance for use of home expenses that also gives some examples, including those for rent, mortgage interest, insurance and broadband. Gordon's example is probably the closest to a childminders work, but doesn't include areas you may use as a childminder including your garden, bathrooms and hallways.

Other things to consider:

- HMRC have clarified that **any just and reasonable method** of apportioning business and personal costs will be acceptable. It may be worth keeping a written record of your workings out for the percentages you will claim to justify your calculations
- Where in your home you carry out your general admin tasks such as claiming funding, planning for the children, having meetings with parents, completing training etc. This is all business time that you are undertaking because you are a childminder
- The use by children and parents of areas such as your hallway and bathroom in your calculations
- Costs of any pets you keep just for your minded children or have bought as joint pets with your own family
- Additional costs of maintaining your garden e.g. reseeding patches in your lawn (any costs **only** for childminding such as fencing off a pond can be fully claimed)

- If you rent an allotment and use this as a learning experience for your minded children
- It is maybe less easy to calculate water usage if your home has a water meter. Consider filling paddling pools and other water play, watering plants, use of washing machine for washing bedding, use of bath or shower after muddy walks or poo escape incidents. For those providing overnight care, water use with additional bathing will be increased
- Food preparation for children outside childminding hours. Do you spend time in your kitchen at wekends batch cooking, or time in the morning preparing meals for the day, or in the evening preparing for the next day?

Receipts

HMRC are aware that for many businesses, it isn't always possible to obtain a receipt for purchases. For childminders, examples include visits to groups or buying items in charity shops, car boot sales or on platforms such as Facebook Marketplace. It is important to make a note of all that you spend, as your software platform will enable you to add this as an expense.

Conclusion

Childminding UK fully understand how hugely concerning this change is for many childminders, are committed to continuing to work with HMRC on behalf of our members and will update this guidance as and when further information becomes available.