

GETTING READY FOR MAKING TAX DIGITAL

Many businesses are preparing for the changes being introduced under Making Tax Digital (MTD). From April, sole traders and landlords with income over £50,000 will be required to submit quarterly updates to HM Revenue & Customs (HMRC).

It is estimated that approximately 900,000 individuals will join the system in April. For those affected, this represents a significant change, so the sooner you prepare, the better.

Using approved software

MTD requires the use of compatible software. Whether you already manage your records digitally or are still using manual methods, it is essential to ensure that any accounting software you use is approved by HMRC for MTD.

Using software to maintain your accounting records offers benefits beyond MTD compliance. It can streamline your processes, improve cash flow forecasting, support better financial decision-making, and help reduce errors.

When choosing accounting software, it is therefore worth considering the wider benefits it can bring to you and your business.

Registering for MTD

HMRC will contact you based on the information in your tax return to inform you that you need to prepare for Making Tax Digital. However, HMRC will not automatically register you. You must sign up yourself, and it is important to do so in good time.

Are there any exemptions?

Some people are automatically exempt from MTD. For example, if you submit a tax return as a trustee or as the personal representative of someone who has died, you do not need to register. HMRC will usually notify you if you are automatically exempt.

There are also situations where you can apply for an exemption. It is therefore worth checking whether your circumstances may qualify.

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What if your income is below £50,000?

MTD is being introduced in stages for sole traders and landlords:

- From 6 April 2026 – income over £50,000
- From 6 April 2027 – income over £30,000
- From 6 April 2028 – income over £20,000

You can choose to sign up voluntarily before your start date if you wish.

Does MTD apply to partnerships?

Not yet. However, HMRC has confirmed that partnerships will be required to use MTD in the future. Further details and timelines will be announced in due course.

Would you like help with MTD?

Choosing the right software can be confusing. We can provide tailored recommendations and training to suit your needs, and we can also manage your registration with HMRC.

If you would like ongoing support with bookkeeping, submitting quarterly updates, or completing your end-of-year tax return, please contact us. We would be happy to help.