ARE YOU READY FOR MTD ?

WHAT HAPPENS IF YOU'RE NOT READY FOR MAKING TAX DIGITAL IN APRIL 2026

From 6 April 2026, if you're self-employed or a landlord earning over £50,000, you'll be required to keep digital records and submit quarterly updates to HMRC using Making Tax Digital (MTD) compatible software. This isn't optional. It's mandatory.

If you're earning between £30,000 and £50,000, you get an extra year, but Phase 2 kicks in from April 2027. Either way, the days of collecting receipts in a carrier bag and handing them to your accountant in January are over.

Here's what you need to know before the deadline hits.

What MTD actually means for you

Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) changes how you report income and expenses to HMRC. Instead of filing one annual Self Assessment return, you'll submit four quarterly updates throughout the year, followed by an End of Period Statement (EOPS) and a final declaration.

- The quarterly updates summarise your income and expenses for that three-month period
- The EOPS reconciles everything at year-end
- The final declaration replaces your traditional tax return

This means you can't leave everything until January anymore. You need to keep your records up to date throughout the year, which is a fundamental shift for anyone who's been doing things manually.

You need MTD-compatible software

HMRC doesn't give you software. You have to choose an approved platform yourself, and there are dozens of options: Xero and plenty of others. The software needs to connect directly to HMRC's systems so you can submit your quarterly updates digitally. Why? Because spreadsheets don't count unless they're linked to bridging software, and even then, it's clunky and risky.

Most people will need cloud-based accounting software, which means a monthly subscription cost. If you're not already using one of these platforms, you need to choose one, set it up, migrate your data, and get comfortable using it before April 2026. Waiting until March to figure this out is a mistake. These systems take time to learn, and if you get it wrong in your first quarterly submission, fixing it later is a hassle

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Here's what your new tax calendar looks like:

Quarter 1 (6 April - 5 July): Submit by 5 August
Quarter 2 (6 July - 5 October): Submit by 5 November
Quarter 3 (6 October - 5 January): Submit by 5 February
Quarter 4 (6 January - 5 April): Submit by 5 May

After your fourth quarterly update, you submit your End of Period Statement, which finalises your income and expenses for the year. Then you make your final declaration, which replaces the Self Assessment return.

Missing a quarterly deadline triggers penalties, so you can't just skip one and catch up later. This is a different level of compliance discipline than the old system, and if you're disorganised now, you'll struggle under MTD.

This isn't just compliance; it's better cash flow visibility

MTD may feel like a burden (and it is a burden!) , but there's an upside: you'll have a clearer picture of your finances throughout the year.

- Instead of guessing what your tax bill will be in January, you'll know quarterly what you owe, which makes cash flow planning far easier
- You'll also catch errors faster. If you've miscategorised expenses or forgotten to record income, quarterly reviews force you to spot it early instead of discovering it during a last-minute January panic
- When your records are digital and up to date, you can see your profit margins in real time, make better pricing decisions, and avoid the end-of-year shock of a tax bill you weren't expecting

Need help?

If you're not sure whether your current system is MTD-ready, get in touch. We can check it, provide you with training, and/or help you migrate to cloud accounting before the April 2026 deadline so you're not scrambling at the last minute.