Countdown to Making Tax Digital: one year to go!

Personal tax OMB



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With only a year to go before the implementation of Making Tax Digital for Income Tax, we outline the fundamental requirements and how to prepare for its implementation in April 2026.

Key Points

What is the issue?

The implementation of Making Tax Digital for Income Tax represents the most substantial change to tax compliance since the introduction of Self Assessment. It will apply to self-employed individuals and landlords with qualifying income above certain thresholds. Those with income over £50,000 must start to comply from April 2026.

What does it mean for me?

MTD involves maintaining digital records, submitting quarterly updates, and a year-end declaration. Advisers should familiarise themselves with MTD rules, identify clients who need to comply, and determine if any clients are exempt. They should also assess the level of support that clients will need and encourage digital record-keeping practices.

What can I take away?

A public testing phase for MTD will occur in 2025/26, allowing agents and clients to familiarise themselves with the system. Participation in the testing phase can help practices to understand MTD requirements and prepare for the official rollout.

April is always an important month for tax advisers, with the final push of year-end planning, the arrival of new tax rules and rates, and soon enough the start of a brand new compliance cycle. But April 2025 carries additional significance – we are now only a year away from the start of Making Tax Digital for Income Tax (MTD).

The coming year will be a critical time for advisers and their clients, who need to get ready for the biggest change to tax compliance since Self Assessment was introduced. In this article, we recap the fundamentals of MTD, look at recent developments and recommend some steps to help you prepare for April 2026.

The fundamentals

Who’s in?

MTD will apply to self-employed individuals and landlords with ‘qualifying income’ above the relevant threshold – broadly, their combined gross income from trading and property, measured before expenses.

Individuals with qualifying income over £50,000 will need to comply with MTD from April 2026, whilst those with qualifying income over £30,000 will need to comply from April 2027. Those with qualifying income over £20,000 will be brought in at some time during this Parliament, but we don’t know exactly when.

Further details of how and when qualifying income is measured are available in the ATT’s MTD Frequently Asked Questions (FAQ), along with other essential MTD

information (see tinyurl.com/2smb396t).

Who's out?

Limited automatic exemptions exist, including for individuals with no NI number, trustees and personal representatives. Digitally excluded individuals will need to apply for exemption, unless already exempt from MTD for VAT. The method of applying for exemption is not yet known but is expected to be made available later this year.

MTD is intended to be rolled out to some partnerships and limited liability partnerships (LLPs) at some point in the future, but the scope and timescale is not yet known. For the time being, they are effectively exempt. No annoucement has been made about limited companies either.

What's involved?

MTD will have three key components:

- digital records;
- quarterly updates; and
- a year-end declaration (similar in concept to the Self Assessment tax return).

All transfers of data to meet these requirements will have to be done using digital links. These terms are explained in our MTD Frequently Asked Questions. In a nutshell, individuals will be required to keep digital records for their self-employment and/or property businesses and file quarterly summaries of their income and expenses with HMRC. A year-end declaration will then be submitted after the tax year which will cover all the aspects of the current Self Assessment return to finalise the individual's tax affairs.

Recent developments

The latest pieces of the MTD puzzle to fall into place were an update notice (see tinyurl.com/44eckt65) and a digital record-keeping notice published by HMRC in January (see tinyurl.com/bdd5zp7b). These cover the information that will be required in quarterly updates, and some simplification options (or easements) for certain taxpayers, including:

- retailers;
- individuals with income below the VAT registration threshold; and
- landlords with jointly owned property.

Get ready: one year and counting

With a year to go until MTD goes live for the first taxpayers, this is a crucial time to get your practice and your clients ready.

Below are a number of actions you can take over the coming year to help ease the transition into MTD. Alongside this article, the ATT has published a more detailed guide on how agents can prepare for MTD (available via the ATT's MTD landing page at www.att.org.uk/making-tax-digital-income-tax).

Consider your clients

1. Get familiar with the rules

The first step is to make sure that you understand how the MTD rules work, andwhat they will mean for your clients. Fortunately, there are plenty of resources out there, including HMRC's guidance on GOV.UK and the ATT's MTD landing page.

2. Work out who's in and when

Whether a client needs to comply with MTD from either 6 April 2026 or 6 April 2027 will depend on the gross qualifying income reported on the most recent tax return due for filing before those dates.

For instance, if a taxpayer's 2024/25 tax return (due for submission by 31 January 2026) reports gross qualifying income of more than £50,000, they will have to join MTD from April 2026. If their 2024/25 and 2025/26 tax returns show gross qualifying income of more than £30,000 but less than £50,000, they will be in scope of MTD from April 2027.

A first planning step is to identify those clients you expect will be in scope of MTD from April 2026 and April 2027.

Segmenting your clients by expected mandation year will help you to prioritise and plan what needs to be done.

3. Are any clients exempt?

If any clients meet one of the automatic exemptions (see tinyurl.com/mr3vny8b), their compliance requirements shouldn't change, but you may need to monitor their eligibility for automatic exemption going forward. If you have digitally excluded clients, you'll need to agree who will apply for exemption from MTD in advance of the relevant mandation date, and keep an eye out for details of how to claim that exemption.

4. Talk to affected clients

Having worked out who is likely to be in scope and from when, start talking to your clients about MTD, especially those expected to be in from April 2026.

As of April this year, HMRC are writing to taxpayers whose qualifying income reported in 2023/24 was close to or above £50,000, to let them know they may need to comply with MTD from April 2026. Make sure you have that conversation with your client before they receive that letter.

5. What support will clients need?

MTD will require more timely record keeping, use of software and the submission of quarterly updates, as well as an end of year finalisation process. Some clients will need your support at every step of this process, while others may be happy to keep digital records themselves but ask you to do the quarterly updates and end of year work. Some may decide to use a bookkeeper totake care ofthe more administrative tasks, whilst retaining their tax adviser to do the year end submission. MTD is expected to allow multiple agents to be authorised to carry out different tasks.

It's important to talk to your affected clients to understand what level of support each will need from you. This will help you to identify the amount of work required to get ready for MTD, as well as allowing you to figure out the practicalities of how you will service client needs.

6. Encourage digital record keeping

If you can persuade paper-based clients in scope of MTD to start using software now, it could pay dividends in future. Even getting clients started with a spreadsheet will help them transition to MTD. ‘Bridging software’ is already available which can link basic spreadsheets into MTD compatible software, allowing digital links from your client’s spreadsheet records into HMRC and/or your tax software. Bridging (or filing) software will also be relevant for businesses already using software which does not include the quarterly or year-end filing capability.

Persuading clients to operate separate business bank accounts will become more important than ever under MTD. Some software packages support bank feeds to help simplify the creation of digital records for MTD, so having the relevant business data separate from your clients’ personal banking will make life easier in future. Do watch out for double counting though, which could arise where purchase invoices are not matched with bank entries.

Get your practice ready

Having gauged the impact of MTD on your client base, you will have a better idea of the additional work you face and can start to make plans accordingly.

1. Workflow planning

Based on the number of clients expected to be in MTD from April 2026 and 2027, start thinking about the implications of new seasonal peaks in MTD compliance work.

The four quarterly updates under MTD will be due by 7 August, 7 November, 7 February and 7 May each year. These will be in addition to the end of year finalisation, which will be due by 31 January following the end of the tax year (alongside all the Self Assessment returns for your non-MTD clients).

Note that the 7 February deadline for the third quarterly update will come hot on the heels of the 31 January submission date for tax returns for the previous year, both for MTD clients and those remaining in ‘ordinary’ Self Assessment.

These new compliance demands will have an impact on staffing levels and resources. They may also affect whether you are able to take on additional clients and work in the coming year.

2. Plan the sign-up process – and make sure it happens

HMRC will not automatically register taxpayers for MTD. Instead, all taxpayers who meet the relevant income thresholds will need to be signed up. This includes individuals who are already registered for MTD for VAT.

Agents will be able to sign their clients up for MTD. However, this will need to be done on a client-by-client basis – there won't be a bulk sign-up option. You therefore need a clear plan in place to ensure you can sign up all your clients intime. Sign-up for April 2026 is expected to be opened shortly, so it makes sense to start this plan sooner rather than later.

When signing up clients for MTD, be aware that the same route will be used for both mandatory registration from April 2026, and for the testing phase (covered below), so make sure you sign up clients from the appropriate date. See 'MTD sign-up guidance for agents' on GOV.UK for more details (see tinyurl.com/bd2f9z9p).

3. Check your software is ready

The range of MTD compatible software is already growing, and other providers have products in development. HMRC maintains a list of MTD compatible software (see tinyurl.com/2tmmu76a), with improvements planned to make it easier to navigate the list and identify appropriate software. If your software isn't shown, or you have any questions, speak to your provider about their MTD readiness plans. You should do this soon, so that you have time to explore other options if your current provider won't support your MTD needs, including the ability to join the MTD testing phase (covered below).

Agents who are already using MTD compatible software for VAT should ensure that it will also support MTD for Income Tax, including the accompanying additional complexities such as categorisation of income and expenses, and reporting for multiple businesses. If it doesn't support all these aspects, bridging software may be needed.

4. IT access

To access MTD services and submit quarterly updates on behalf of clients, agents need an Agent Services Account (ASA). You can only have one ASA per firm, and

many firms will already have created theirs to submit MTD for VAT returns, Trust Registration Service information, or Capital Gains Tax ‘60 day’ returns. If your practice doesn’t have an ASA, you should create one via GOV.UK (see tinyurl.com/3xhs6k9m).

Having set up the ASA, you will be able to set up staff with administrator or assistant access to the account. Make sure that staff who will work on MTD have the appropriate access.

You will also need to link your ASA to your existing Government Gateway accounts (the service you currently use to access clients’ Self Assessment records). This will enable your existing client authorisations to flow through to the ASA, avoiding the need to reauthorise. Linking your existing Government Gateway account to your ASA can be done at any time – it doesn’t mean you have signed clients up for MTD (which is a separate step), nor will it prevent you from using legacy Gateway accounts.

5. Engagement letters and fees

MTD will require you to perform a different range of services for affected clients.

Engagement letters will need to be updated to reflect the additional scope of work agreed and changes in responsibilities. Updated template engagement letters are being prepared by the ATT, CIOT and other professional bodies, and should be available soon.

The expected impact on fee arrangements should be discussed with clients upfront. Remember to also consider new clients’ MTD obligations when quoting for new work.

Testing, testing

Following a restricted testing phase in 2024/25, HMRC is expanding into a public testing phase for MTD in 2025/26. This willgive a wider range of individuals and agents an opportunity to get up to speed with MTD before it goes live. Whilst the public testing phase should allow much greater numbers to join, there are still restrictions; for example, non-residents and individuals with trust or partnership income will not be able to take part.

The sign-up process (see tinyurl.com/bd2f9z9p) includes an eligibility checker to ensure your client's circumstances are supported, but you should also check that your software is compatible with MTD testing and that your provider is able to support you.

Signing up suitable clients will help your firm to better understand what MTD will involve once we get to April 2026. It may be wise to focus on more digitally capable clients in the first instance, such as those already using software to keep their business records. Before registering clients for the testing phase, you should discuss the idea with them and obtain their permission.

Agents with clients in the testing programme will benefit from a dedicated HMRC support team to resolve any issues encountered. During the testing phase, there will also be no late filing penalties in respect of quarterly updates, allowing advisers to get to grips with the new compliance routine without risking additional financial penalties for their clients.

Since quarterly updates will operate cumulatively (see the ATT's MTD Frequently Asked Questions page for more details), it will be possible to sign clients up to the testing phase part way through 2025/26. As long as digital records have been kept since the start of the tax year, the income and expenses from April 2025 will be uploaded as part of the first quarterly submission made after joining the testing phase. That means you haven't missed the boat if you've yet to consider signing up.

A year is a short time in tax

MTD has been a long time in development, but it is almost upon us. The coming year will be a crucial time for making the necessary preparations to ensure you are ready for April 2026 and beyond. Taking the steps above will help your practice adapt and enable you to continue supporting your clients with the transition to a new way of dealing with their tax affairs.

If you take nothing else away from this article, make sure you remember that signing up for MTD will be down to the client and/or their agent – not HMRC. So, plan now for how you're going to register clients who are affected by the first wave of MTD, and make sure you've got through them all by the time April 2026 comes around.

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