Making Tax Digital for Income Tax: suitable accounting software

Personal tax | Management of taxes



27 October 2025

How can the self-employed and landlords prepare to keep and submit records digitally under Making Tax Digital for Income Tax?

Making Tax Digital for Income Tax Self Assessment – to give it the formal name – arrives on 6 April 2026. Tax agents are working hard to get themselves and their clients ready. However, this article isn't for tax agents. Instead, it's for anyone without an agent or other adviser, who might be affected by its introduction.

MTD has three main requirements:

- Digital records of revenues and expenses must be kept.
- The amounts in each quarter must be sent to HMRC using software.
- Finally, software must be used to make any year-end adjustments, submit the initial year-end tax return, including other income and expense, receive the calculation of tax due from HMRC and then submit the final return.

MTD applies to self-employed people and landlords with sales or gross rents above £20,000, and is being introduced in three phases. Those with sales or gross rents above £50,000 have the privilege of joining first – on 6 April 2026. Gross revenues are measured in the year before commencement (so the 2024-25 tax year).

Those with revenues above £30,000 in 2025-26 start on 6 April 2027 and those with revenues above £20,000 start from 6 April 2028. The Chancellor said in 2024 that MTD could be introduced at some future date for those with revenues below £20,000, but we don't know whether or when this could happen.

Record keeping

The first thing to do is to submit the Self Assessment tax return for 2024-25, to confirm whether MTD will apply. There are exemptions from MTD, based on digital exclusion (prevented by health or active religious participation, or lack of internet availability in the location).

Keeping digital records will be straightforward in most cases. It simply means keeping a record of each sale (or rent received) and each expense. Someone with very simple affairs could keep these details as entries on a spreadsheet. There is no need for the actual sales or purchase invoices to be kept digitally, although it would almost certainly be easier to do so. Copying and pasting between digital sources won't meet the requirements, but importing a CSV file with bank data would be acceptable.

Accounting software

Most people will find it productive to use accounting software – and it's worth thinking how software could help the business. Could software send out invoices, for example? HMRC has produced a guide to available software, with about 30 packages ready now, and a further 16 packages in development (see tinyurl.com/2754d3w5).

There are two main types of software: 'all in one' packages, which keep digital records, do the quarterly data uploads and complete the year end return; and filing or bridging software, which links to a spreadsheet or specialist business accounting software. Filing software will submit the quarterly updates and complete the year-end return. Some software will be free, including from some well-known accounting

software providers, but expect limitations on what free software will cover. Some banks are offering free software with a business bank account.

HMRC's interactive software choices tool shows which supports specific income and expense sources as part of the year-end return. The interactive tool continues to be developed, so it's worth checking on the developer's website that their software will meet your needs.

It's almost certainly worth having a separate bank account for your activity and linking accounting software to it to download transactions. Do watch out for possible double counting. Bank account entries should link to purchase and sales invoices, so don't enter them twice! It may also be helpful to sign up for a bookkeeping course.

Taxpayers need to sign up for MTD, which is done at tinyurl.com/56n88es5. You should sign up in advance and you may be offered the opportunity to join the MTD pilot operating now. Unless you are very keen, it's probably best simply to register for 2026 (or later for those with lower revenues). It's different for agents, who would benefit from joining the pilot.

Two other areas to watch for in choosing software: accounting method and year-end. Will you use cash accounting, which means entering revenues and expenses when the money is received or spent? Or will the activity use so-called traditional accounting? Some packages only work on the cash basis. HMRC define the standard year end as 5 April, but many people will prefer to use a month end. 31 March is straightforward, but anyone using something different, such as 30 September or 31 December, should probably take advice.

It's time to prepare – and to consider how to make the most of an accounting package in running a business.

© Getty images