NEXTGEN ACCOUNTANTS
CHARTERED CERTIFIED ACCOUNTANTS

YOUR GUIDE TO MAKING TAX DIGITAL

What MTD means for you — and how NextGen Accountants helps you get ready with confidence

Book your Free MTD Assessment & Registration

www.ngaccountants.co.uk

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Introduction

Making Tax Digital

Making Tax Digital (MTD) is a UK government initiative introduced by HM Revenue and Customs (HMRC) to modernise the tax system. It requires businesses and individuals to:

• Keep digital records

• Use MTD-compatible software

• Submit tax returns online directly from software

• Not rely on manual spreadsheets alone (unless linked to software)

Why Was MTD Introduced?

• Reduce tax errors

• Make tax reporting more accurate

• Encourage real-time record keeping

• Move the UK tax system fully digital

Who Does MTD Apply To?

MTD for VAT — mandatory for all VAT-registered businesses. You must keep digital VAT records and submit returns via approved software.

MTD for Income Tax (MTD for ITSA) — starting April 2026: sole traders and landlords with qualifying income (gross self-employment and/or property income) over £50,000 (threshold reduces in later years). You'll need to submit quarterly updates and a final declaration each year.

What Businesses Must Do

• Keep digital records of income & expenses

• Use approved software (e.g. Xero, QuickBooks, FreeAgent)

• Submit returns electronically

What Happens If You Don't Comply?

• Late submission penalties

• Fines

• A new points-based penalty system

Making Business Simpler, Not Harder

Making Tax Digital (MTD) is the government's long-term plan to modernise the UK tax system. The aim is simple: fewer errors, clearer records, and less last-minute stress.

Instead of submitting one annual tax return based on paperwork gathered at the end of the year, MTD moves individuals and landlords towards digital record-keeping and regular updates throughout the year.

VAT was the first tax to move into the MTD system. From April 2026, Income Tax will follow.

At NextGen Accountants, we believe MTD can be a positive change when it's done properly. This guide explains what's changing, who it affects, and how we'll support you every step of the way.

Many businesses already use HMRC's online services to file tax returns and manage their accounts, but MTD goes a step further — requiring income and expense records to be kept digitally and submitted using HMRC-approved accounting software, rather than manual systems or end-of-year paperwork.

Moving tax reporting into a digital system brings clear advantages. Regular updates throughout the year help you understand your tax position in real time, making cash-flow planning far easier, while digital accounting reduces time spent on administration — leaving you free to focus on running and growing your business.

MTD for Income Tax Self Assessment rollout

Thresholds are based on qualifying income — gross self-employment and/or property income — not taxable profit.

From April 2026	Sole traders and landlords with qualifying income over £50,000
From April 2027	Qualifying income over £30,000
From April 2028	Qualifying income over £20,000

You don't need to wait until you're mandated to join — businesses and individuals can register for MTD early, and in many cases starting sooner leads to a smoother transition and fewer compliance issues later. This guide explains how MTD for Income Tax works, and how NextGen Accountants can support you in preparing confidently and compliantly.

How MTD for Income Tax Changes Tax Reporting for Individuals

You are classed as running a business if any of the following apply:

• You operate as a sole trader

• You receive income as a landlord, even if it's part-time or from a single property

If you fall into either category, you must report your income and expenses to HMRC.

How it works now

At present, individuals whose businesses are not incorporated (i.e. not a limited company such as a Ltd or PLC) report their income through the Self Assessment system — submitting one annual tax return detailing total income, allowable expenses, and any adjustments or reliefs claimed. Your final tax bill is calculated from this return and must be filed, with any tax due paid, by 31 January following the end of the tax year on 5 April.

What changes under MTD for Income Tax

For most people within scope, the traditional annual Self Assessment return will be replaced by a new digital process. Instead of submitting a single return at the end of the year, you will:

• Keep digital records using HMRC-approved software

• Send quarterly summaries of income and expenses to HMRC

• Submit a final digital declaration at the end of the tax year to confirm figures, claims, and allowances

This new approach gives you better visibility of your tax position throughout the year and reduces the pressure of last-minute filings.

At NextGen Accountants, we help sole traders and landlords understand exactly how these changes apply to them, and put the right systems in place well before deadlines arrive.

What You Need to Do

Below is a clear breakdown of what's required, and how NextGen Accountants can help you stay compliant with confidence.

Register for MTD for Income Tax

You'll need to join if your combined qualifying income — gross self-employment and/or property income — exceeds £50,000 (mandatory from April 2026), £30,000 (from April 2027), or £20,000 (from April 2028). You should register before your first MTD reporting obligation begins. You don't have to wait until your compulsory start date — voluntary early signup is available for many taxpayers. NextGen Accountants can confirm your eligibility and manage the sign-up process for you.

Use HMRC-recognised accounting software

Tax records and submissions must be made using HMRC-approved digital software, used to record income and expenses, submit quarterly updates, and prepare your end-of-year tax declaration. If you already use cloud accounting software, you may be part way there — NextGen Accountants will review your current system and ensure it meets MTD requirements, or help you move to a compliant solution.

Keep digital records

All business income and allowable expenses must be recorded digitally and stored for at least five years after the submission deadline for each tax year. Digital record-keeping reduces errors, cuts down manual admin, and makes reporting faster and more accurate. We help our clients set this up properly from day one, so compliance becomes routine, not a burden.

Send quarterly updates

You'll send quarterly summaries of income and expenses to HMRC for each business you operate. Landlords report total rental income (UK and overseas reported separately). These updates are not tax bills — they're snapshots to keep HMRC informed. If you work with an accountant or bookkeeper, they can submit these updates on your behalf with the correct HMRC authorisation in place — NextGen Accountants handles this setup for you.

Submit your year-end tax declaration

After the end of the tax year, you'll still need to finalise your tax position by 31 January — adding any final adjustments, allowances or additional income, reviewing the full year's figures, and submitting your digital declaration through approved software. NextGen Accountants prepares this for you, so you simply review and approve before submission.

Pay any tax due

Any outstanding tax must be paid by 31 January, as under the current Self Assessment system (payments on account may still apply in some cases). With MTD, there are no surprises — your estimated tax position is visible throughout the year, not just at the deadline.

Getting ready with confidence

At first glance, MTD may seem like more admin, but with the right software and support, much of the process becomes automatic. When your records are kept correctly and updates are submitted on time, quarterly reporting becomes straightforward, your year-end return is quicker and smoother, and you gain clearer financial insight all year round.

At NextGen Accountants, we guide you through every stage — from preparation and software setup to ongoing compliance — so you can focus on running your business.

MTD for Income Tax

Year 1 and 2 Timeline

Who does this apply to?

✓ Sole traders

✓ Landlords (including part-time landlords)

✓ Individuals currently using Self Assessment

Qualifying income (gross self-employment and/or property income) thresholds: over £50,000 from April 2026 · over £30,000 from April 2027 · over £20,000 from April 2028

Quarterly update deadlines

Quarter	Period	Filing deadline
Q1	6 Apr – 5 Jul	7 Aug
Q2	6 Jul – 5 Oct	7 Nov
Q3	6 Oct – 5 Jan	7 Feb
Q4	6 Jan – 5 Apr	7 May

Quarterly update periods shown are the default HMRC quarters. Some taxpayers may elect to use calendar quarters where permitted. The final digital tax return for each year is due by 31 January following the end of that tax year.

Preparing for Making Tax Digital (MTD) for Income Tax

Getting ready for MTD for Income Tax comes down to two connected essentials: updating how you manage your day-to-day finances, and using HMRC-approved digital accounting software. Both must be in place to stay compliant and avoid penalties once MTD is mandatory.

What to move away from

Paper-based records — MTD is designed to modernise the tax system by reducing errors and admin caused by manual paperwork. All financial information must be transferred into a digital system and stored there. Using digital tools to scan, upload and store receipts and invoices also brings faster invoicing, automatic payment reminders, easy payment links or QR codes, and the ability to manage admin on the go.

Over-reliance on spreadsheets — spreadsheets are still permitted, but copying and pasting figures between spreadsheets and tax software isn't allowed unless the connection is fully digital and automated. Spreadsheets also carry a higher risk of errors, limited security, and a greater chance of data loss over time.

Once-a-year accounting — traditional accounting often meant handing everything to your accountant once a year and waiting for a final tax figure. MTD changes this: with quarterly updates required, you'll either submit updates yourself or work with your accountant regularly throughout the year.

What to embrace

Using HMRC-approved cloud accounting software is the simplest and most reliable way to meet MTD requirements — and a chance to move away from outdated processes altogether.

Work from anywhere

Access your finances on your phone, tablet, or laptop — at home, in the office, or on the move.

Automated tasks

Routine jobs like bank reconciliation, reminders, and record updates are handled automatically.

Predictable costs

Monthly subscriptions spread costs evenly, helping with cash flow.

Always compliant

Software updates automatically, keeping you ready for regulatory changes like MTD.

Secure data storage

Your financial data is securely stored and backed up, meeting long-term record-keeping requirements.

Better collaboration

Your team at NextGen Accountants can access your records in real time, for proactive advice and smoother submissions.

The Benefits of MTD Today

MTD for Income Tax launches in April 2026 — don't wait until the last minute. Start preparing now by moving your records to digital accounting software. By switching early, you'll avoid the pressure, confusion, and potential penalties that can come with last-minute changes.

Adopting cloud accounting today means:

✓ Better organisation of your income and expenses

✓ Real-time visibility of your finances

✓ Fewer errors and improved accuracy

✓ Smoother quarterly submissions

✓ More time to focus on growing your business

Getting set up now gives you time to adapt gradually and confidently. Instead of rushing when April 2026 arrives, you'll already be compliant, comfortable, and in control. Make the move today and let your business benefit long before MTD becomes mandatory.

How NextGen Accountants Can Help You Get MTD Ready

Being self-employed isn't easy. You're managing customers, chasing payments, handling admin, and staying on top of taxes — all at the same time. At NextGen Accountants, we make it simple.

With Making Tax Digital (MTD) for Income Tax starting in April 2026, now is the time to switch to cloud accounting and future-proof your business. We help you move from paperwork and spreadsheets to fully compliant digital systems — smoothly and stress-free.

Save Time with Smart Automation

- Automate income and expense tracking
- Reduce errors in tax calculations
- Prepare for quarterly MTD submissions
- Simplify VAT and Self Assessment

Ongoing Expert Support

- All year round — not just at tax deadline
- Quarterly submissions under MTD
- Tax planning to avoid surprises
- Practical business advice

Stay Organised with Digital Record-Keeping

- Create and send professional invoices
- Automatically import bank transactions
- Upload receipts instantly from your phone
- Access your accounts anytime, anywhere

Track & Understand Your Finances

- View real-time income and expenses
- See who owes you money
- Monitor profit and cash flow
- Plan ahead with confidence

Extra Support When You Grow

VAT registered? Hiring staff? Expanding? We help you:

- Manage VAT digitally under MTD
- Add payroll & HR support
- Forecast cash flow and growth
- Structure your business tax-efficiently

Why Businesses Choose NextGen Accountants

	DIY / Traditional Accounting	NextGen Accountants
MTD software set-up	Left to you to research and configure	Fully set up and configured for you
Quarterly submissions	Easy to miss deadlines	Managed and filed on your behalf
Support	Once-a-year contact	Ongoing support, all year round
Pricing	Variable, often opaque	Clear monthly pricing from £25/month
Advice	Reactive, after the fact	Proactive tax planning & growth strategy

What Our Clients Say

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