

THE ACCOUNTANTS FOR MAKING TAX DIGITAL

What does MTD stand for?

Let's get the acronym out of the way first. MTD stands for Making Tax Digital.

What is Making Tax Digital?

MTD is a government initiative, led by HMRC. As the name suggests, Making Tax Digital is all about moving to a system of digital tax records and returns. When MTD is fully implemented, businesses and the self-employed will have to use approved software for keeping their financial records and submitting their tax returns. In other words, the tax system will become paperless.

Why is MTD being introduced?

HMRC says that MTD is being introduced “to make it easier for individuals and businesses to get their tax right and keep on top of their affairs”.

The more cynical amongst us would see that this is likely the precursor for a system that collects more tax from us earlier (quarterly) rather than 9 months after the end of each tax year.

However, it's highly likely that HMRC will claim that MTD as a more transparent system that will help to reduce tax reporting errors and fraud.

Get help with Making Tax Digital - book a call



Which taxes does MTD apply to?

Making Tax Digital currently applies to VAT. In 2026 it will also cover Income Tax Self Assessment (ITSA). Scroll down to learn more about MTD and each of these taxes.

Is MTD compulsory?

Currently, MTD for VAT is compulsory for all VAT registered businesses. However, you can apply for an exemption if it's not reasonable or practical for you to use a computer. This may be because of your age, a disability, the remoteness of your location or your religious beliefs. You can currently apply for an exemption from MTD for VAT by [visiting this page](#).



When does Making Tax Digital start?

Making Tax Digital for VAT has already begun. MTD for Income Tax Self Assessment (MTD ITSA) will commence in April 2026.

MTD for VAT

- VAT-registered businesses with an annual taxable turnover of £85,000 or more needed to comply with this scheme by April 2021.
- All VAT-registered businesses must take part in MTD from April 2022.

MTD ITSA

- Self-employed people and landlords with income of £50,000+ have to join the scheme by April 2026. Those with income of £30,000+ need to join by April 2027. And those with income of £20,000+ from April 2028.

MTD for VAT explained

To comply with MTD for VAT, from April 2022 you must keep all of your VAT records digitally using MTD-compliant software like [FreeAgent](#) or [Xero](#).

You must also submit your VAT returns to HMRC online rather than complete and send in manual returns by post as in the past. If you don't, you face a £400 penalty for each wrongly submitted return.

At THP, we have helped hundreds of clients make a smooth transition to MTD for VAT. You can learn more about our [Making Tax Digital for VAT service here](#).

Need help to register for MTD for VAT? - book a call

MTD for Income Tax (MTD ITSA)

Making Tax Digital for Income Tax Self Assessment goes live for self-employed people and landlords with an income of £50,000+ from April 2026, from April 2027 for those with an income of £30,000+, and from April 2028 for those with an income of £20,000+. Government is yet to announce when members of partnerships need to enrol.

As with MTD for VAT, you will need to use approved software to submit your [Self Assessment Tax Returns](#). However, instead of making an annual tax return, you will need to make quarterly submissions. These will due on the fifth day of August, November, February and May. This means most people will make their **first submission on 5th August 2026 or 2027**.

Although you will have to make quarterly Self Assessment Returns via your software, you will still pay your Income Tax on the same dates – the main bill by 31st January and your payment on account by 31st July.

Read our blog on MTD for landlords and the self-employed

How do I sign up for MTD?

If you are VAT registered you should already have signed up for **MTD for VAT**. The deadline was April 2022 (apart from a few exceptions).

- You will need to sign up for MTD for Self Assessment Income Tax by April 2026 if your income is over £50,000, or April 2027 if your income is over £30,000, or by April 2028 if your income is over £20,000.

Do I need special software for MTD?

Generally, 'yes'. The simplest method is to choose a MTD-approved software package. Currently there are a number of software platforms available that are fully compliant with MTD for VAT. We recommend [Xero](#) or [FreeAgent](#), depending on your business's size and needs. Scroll down to learn how THP clients can obtain full use of FreeAgent at no extra cost.

Because MTD for Income Tax is only now starting to be phased in, at this time there are only a relatively small number of MTD compliant software packages available. The Gov.uk website maintains a [list of available software here](#), which is expected to grow rapidly.

There are methods of making software such as spreadsheets compliant with MTD. These rely on creating 'digital links' that create an unbroken digital chain as data is moved from one application to another. Following the introduction of mandatory MTD, we no longer recommend the continued use of spreadsheets for accounting or bookkeeping as there are now far more effective software solutions available.

Get help with MTD compliant software - book a call

MTD for landlords

As the **Accountants for Landlords**, we've recently put together a [Landlord Platinum Service for MTD](#). After reviewing all the main cloud accounting platforms for Landlords, we have concluded that the best MTD-compliant software for managing a buy-to-let portfolio is Hammock. That's why we've teamed up with Hammock to offer our landlord clients use of this powerful software free of charge. In addition, we've bundled together a range of other services that are designed to help Landlords remain MTD compliant, maximise profits, lower tax bills and manage their Buy-to-Let portfolios more efficiently. Click on the button below to find out more and to obtain an instant tailored quote for our [Platinum service](#).

Learn about our Platinum Service for Landlords

Making Tax Digital for sole traders

In addition to our [Platinum service for Landlords](#), we also give our sole trader clients a helping hand with **Making Tax Digital** by offering them the popular [FreeAgent](#) cloud accounting software at no extra cost. If you are a business owner/sole trader, this means you will have access to expert advice from our team of accountants to help you maintain your records correctly and keep your tax bill lower. You also gain free access to simple-to-use and intuitive MTD compliant software that makes managing your business finances a doddle – saving you at least £227 per year. Click below to learn more.

Get FreeAgent at no extra cost



How can THP help me with Making Tax Digital?

At THP, we've chalked up a huge amount of experience helping clients to comply with MTD for VAT. This has included helping them to migrate to MTD-compliant software packages as well as ensuring their VAT returns are submitted accurately and on time.

We are now working with self-employed people and landlords who need to prepare for MTD for Income Tax Self Assessment. If you would like advice or help with planning for this, [please click here to book a call with one of our MTD experts.](#)

A TEAM NEAR YOU

THP is a long-established firm of accountants. With over 40 trained accountancy professionals, we bring you a much wider range of expertise than the average High Street firm.

Better still, with branches in Wanstead, Sutton, Chelmsford and Saffron Walden, we've got specialist team members working near you. Feel free to contact any of our branches to arrange a free initial consultation.

Want to learn more about THP?

You can find out more about us [here](#).

THP Wanstead

34-40 High Street
Wanstead, London
E11 2RJ

020 8989 5147
wanstead@thp.co.uk

THP Chelmsford

Waterhouse Business
Centre
Unit 53, 2 Cromar Way
Chelmsford, Essex
CM1 2QE

01245 251731
chelmsford@thp.co.uk

THP Sutton

Unit 4, Mulgrave
Chambers, 26-28
Mulgrave Road, Sutton,
SM2 6LE

020 8652 1070
sutton@thp.co.uk

THP Saffron Walden

24 High Street
Saffron Walden, Essex
CB10 1AX

01799 527478
saffron@thp.co.uk

