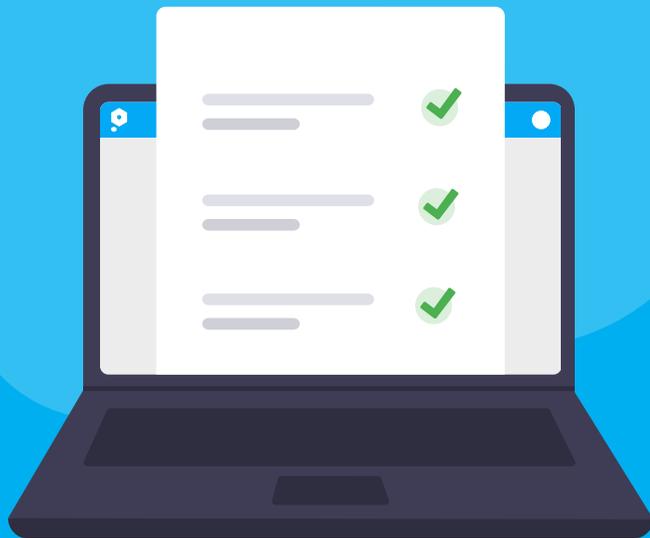




Making Tax Digital Guide

How to prepare your small business for Making Tax Digital





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What is Making Tax Digital?

Making Tax Digital, or MTD for short, is HMRC's initiative to create a simpler, more effective and efficient tax system.

It significantly changes the way in which businesses record and report their tax information.

Under MTD rules, businesses must record and store their financial data digitally, and use software to share this with HMRC every quarter.

This doesn't mean submitting four tax returns in a year. Instead, you'll share your bookkeeping figures, and then submit a confirmation at the end of each year.

It sounds like extra work, but taking care of your bookkeeping more regularly helps you avoid any nasty surprises, like tax bills being larger than you were expecting.

MTD will also help reduce the risk of penalties for submitting incorrect figures.





What does MTD mean for my business?

In short, you'll need to make sure that your bookkeeping records comply with MTD rules.

Digital record keeping

Making regular submissions using appropriate software

Does Making Tax Digital affect me?

MTD will affect most businesses, but because it's such a huge change to the UK tax system, it's rolling out in stages.

MTD VAT: The rules are now compulsory for all **VAT-registered businesses**.

MTD Income Tax Self Assessment: Landlords and self-employed taxpayers earning more than £50,000 in a year must start using MTD for ITSA from 6th April 2026. The threshold will reduce to £30,000 a year from 6th April 2027. You can start following MTD rules before that date if you choose to.

MTD Corporation Tax: Currently in the consultation stage.



How to prepare your business for Making Tax Digital?

Even if your business isn't currently affected by the mandatory rules, the launch dates will come round faster than you think!

It's a good idea to start preparing as soon as possible, and get settled into any new processes while there's still plenty of time.

You'll need to:

- 1 Choose MTD compatible software
- 2 Register for Making Tax Digital, even if you're already registered to send a tax return
- 3 Authorise your software for MTD





What software can I use for Making Tax Digital?

At the moment businesses are still allowed to use spreadsheets to record their financial data, but you can also use bookkeeping software to do this instead.

You must submit the data to HMRC using either [bridging software](#), or directly from your bookkeeping software if it's MTD compliant.

Just be aware that some bookkeeping software providers are only compliant for record keeping, and you might still need separate bridging software to make your submissions!

Look for software which is easy to use, and includes time-saving automations which will ease the administrative burden.

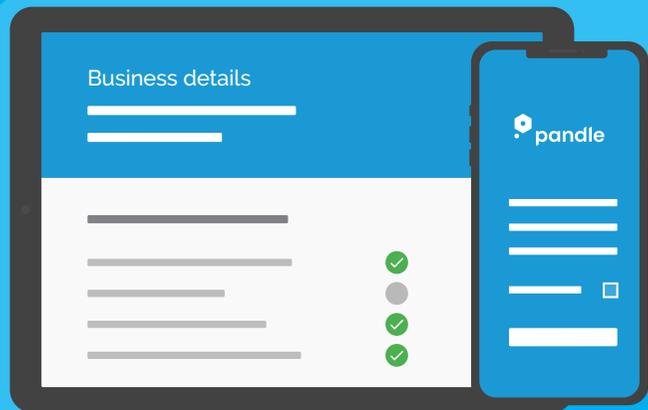
Sign up for MTD with HMRC

Being registered as a tax payer does not automatically enrol you onto Making Tax Digital. For instance, if you're currently registered for Self Assessment, you'll still need to sign up for MTD so that you can comply with the rules.

Make sure you do it in plenty of time!

Authorise your software for MTD

Connect your software to your MTD account, and authorise it to make submissions. For security reasons, HMRC require software providers to re-request this at least every 18 months, though some software might ask you to reauthorise it more frequently.



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