



**Making Tax Digital (MTD) for Income Tax will begin to become mandatory for certain taxpayers from 6 April 2026.**

#### **The MTD for Income Tax requirements will apply to:**

- + Self-employed individuals and landlords with annual combined business or property income of more than £50,000 from 6 April 2026.
- + Those with annual combined business or property income of more than £30,000 from 6 April 2027.
- + Those with annual combined business or property income of more than £20,000 from 6 April 2028.

Find additional details about the MTD roll-out, including the key steps you will need to take, quarterly update requirements, final declaration and a Q&A section in our **Making Tax Digital for Income Tax factsheet**.

Software will play a crucial role in the transition to MTD as the system mandates the digital recording of income and expenses, along with quarterly submissions to HMRC using compatible software.

The functionality of approved MTD for Income Tax software varies, some

- + Enable digital records of income and expenses to be created; whilst
- + Others act as bridging software.

If you are new to accounting software, choosing the right one can seem challenging. This factsheet offers an insight into what accounting software is, its benefits and how to find the right fit for your needs.

## Accounting software

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The aim of MTD for Income Tax is to move towards a digital approach that streamlines tax submissions, and boosts efficiency by reducing reliance on paperwork.

Accounting software can assist with raising invoices, paying bills, and processing expenses. Once you have entered your financial information into the software, it has the capacity to analyse data and generate reports for you, automating processes so they are quick and easy.

Some accounting software is cloud-based, meaning you can access your data from any internet-connected device.

## The role of accounting software in MTD

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Individuals that need to sign up to Making Tax Digital for Income Tax are required to use compatible software.

### Your chosen software will help to:

- + Create, store and correct digital records of your business income and expenses;
- + Send quarterly updates; and
- + Submit a final declaration (this is similar to the current Self-Assessment process).

Most approved accounting software has the capacity to do all of the above – the exception being bridging software.

Choosing accounting software that fulfils all the requirements of MTD for Income Tax will help to cut down on manual processes and reduce the administrative burden.

## Bridging software

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Having the capacity to submit your tax data electronically to HMRC is a requirement of MTD. If you are currently using spreadsheets to keep your records and are not ready to fully switch to MTD-compliant accounting software, bridging software may be a solution.

Bridging software enables you to take information from non-compatible applications, usually spreadsheets, and send it to HMRC systems. Essentially, it acts as a 'bridge' between your data and HMRC – making the reporting compatible with MTD.

While bridging software will ensure you are compliant, it is not an end-to-end solution like accounting software that supports digital record keeping.

### You will still need to:

- + Manually add data to spreadsheets, or other bookkeeping software; and

### It may be necessary to:

- + Perform calculations within the non-compliant software to ensure your data is in the format required by the bridging software.

Timesaving features such as invoice generation, bank reconciliation and capturing bills and receipts will not be available.

When it comes to bridging software, your key steps are: export your bank feed into Excel, organise the data into the format required by HMRC, and then either share it with your accountant or HMRC.

If you are unsure about how to manage the full submission to HMRC and need assistance, please get in touch with your usual M+A Partners' contact.

## HMRC-approved software

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HMRC regularly updates its official list of approved software providers for MTD for Income Tax, usually once or twice a month.

By selecting software from the HMRC-approved list, you can be sure that the software meets the technical and security requirements for submitting digital tax records.

**You can view the most up-to-date list on the HMRC website.**

With a growing list of approved providers and frequent additions and software in development, how do you know which one is right for you?

You may wish to explore what the software offers beyond the compliance.

### When choosing your MTD software, you may wish to consider:

- + **Functionality:** does it support what you need? Some software caters to landlords or sole traders, while others are designed for a wider range of businesses;
- + **Ease of use:** look for intuitive platforms;
- + **Integration:** if you already use accounting software, check to see if it is MTD approved. Many existing platforms, such as QuickBooks, Xero and FreeAgent are already compliant;
- + **Support:** is customer support available, or are there helpful tutorials?
- + **Cost:** prices vary between software providers, and some may charge extra for additional features. Consider your essential needs alongside your budget to find the best fit.

## Exploring Your Options

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The wide range of MTD-approved software can make it hard to know which one to choose. Recognising the core features shared by leading packages can help you identify what to look for and what functionality you might need.

### Here is a quick look at some of the features Xero and QuickBooks have in common:

- + The ability to connect bank accounts for automatic transaction imports;
- + Access to dashboards for financial overview, and compatibility with additional apps to consolidate financial data;
- + Bank reconciliation predictions suggest matches for statement lines, so you can reconcile your accounts faster;
- + Track income, expenses and VAT all in real-time; and
- + Automatic updates in line with legislation to help maintain compliance.

If you are a landlord, you might also want to take a look at more tailored software such as **Hammock** or **Landlord Studio**. These providers enable you to monitor your rental income and expenses in real-time, get up-to-date reports per property and manage quarterly submissions.



## How M+A Partners can help

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Look out for M+A Partners' upcoming 'how-to' videos, which will feature demonstrations of how Xero, QuickBooks and bridging software solutions work with Making Tax Digital for Income Tax. We will provide answers to the most frequently asked questions, helping you to navigate MTD with confidence.

Now is the time to review your options and make sure you have the right software in place for MTD. If you are unsure which solution best fits your needs, get in touch with your usual M+A Partners' contact. We are here to offer tailored advice based on your individual circumstances - helping you stay fully compliant with the new requirements.

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