Making Tax Digital for Income Tax: How to get your practice ready

General Features

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We look at some of the steps agents can start taking now to get their practice and their clients ready for Making Tax Digital for Income Tax Self-Assessment.

Key Points

What is the issue?

Making Tax Digital for Income Tax Self-Assessment (MTD ITSA) will become compulsory for the first wave of self-employed individuals and landlords on 6 April 2026.

What does it mean for me?

The most important first step is to ensure that you fully understand the MTD ITSA requirements, and what they might mean for your practice and clients.

What can I take away?

One way to get your practice ready for April 2026 is to consider joining HMRC's MTD ITSA testing programme. Even if you and your clients are not quite ready to join testing, there are several 'digital housekeeping' steps which can be taken in the meantime to ease the transition to MTD ITSA.

Making Tax Digital for Income Tax Self-Assessment (MTD ITSA) is now less than 550 days away, becoming compulsory for the first wave of self-employed individuals and landlords on 6 April 2026. When it arrives, it will bring a fundamental shake up of how taxpayers and their agents interact with each other and HMRC.

What is MTD ITSA?

MTD ITSA will apply to landlords and self-employed individuals, and has three main components:

- digital record keeping;
- quarterly updates; and
- year-end reporting.

Digital record keeping will require the amount, category and date of business income and expenditure to be recorded in software. These digital records will then form the basis for quarterly updates – summary totals of income and expenses which have to be submitted to HMRC at the end of each tax year quarter.

Quarterly updates will not need to include tax or accounting adjustments. However, the move from filing just one tax return a year to submitting information to HMRC quarterly is likely to be a significant practical challenge for taxpayers and agents.

Taxpayers will then need to complete a year-end filing to adjust quarterly update information as required and bring in other sources of income, claim reliefs, etc. The deadline for this will be the same as for the self-assessment return; i.e. 31 January following the end of the tax year in question.

Underpinning all these elements is the concept of ‘digital links’. Once data has been entered into the digital records, any transfer to HMRC or other software has to be done digitally, with no manual keying or copy and paste allowed.

When is it happening?

The introduction of MTD for ITSA will be phased, with the start date depending on a taxpayer’s income:

- Income over £50,000: 6 April 2026.
- Income between £30,000 and £50,000: 6 April 2027.

Those with income under £30,000 are, for the time being, exempt from MTD ITSA. However, this decision will be kept under review.

It is important to note that the above thresholds look at gross trading/property income (before expenses or deductions). Where a taxpayer has more than one trade, or trading and rental income, it is the total figure which needs to be considered.

When applying the income threshold for any specific tax year, HMRC will look at the tax return for which the filing deadline fell just before the start of that tax year. So, for 2026/27, HMRC will look at the figures for the return for 2024/25 (filing deadline 31 January 2026). For 2027/28, it will look at the return for 2025/26 (filing deadline 31 January 2027) and so on.

Getting MTD ready

All agents with sole trader and/or landlord clients will need to make some form of preparations ahead of April 2026.

Even those practices that are already fully digital will need to, as a minimum, consider how they and their clients will handle the move to quarterly reporting. For some practices, especially those with clients who keep paper records or only get in touch once a year, the changes required may be more extensive.

Regardless of where your practice sits on this spectrum, now is the time to start thinking about what needs to be done and when.

MTD ITSA has been delayed several times in the past and, given how busy many agents currently are, it is tempting to put off preparations on the assumption that we will have another delay. However, there currently appears to be no sign from HMRC or the government that further delays are on the cards, and waiting until closer to April 2026 risks making what could already be a difficult transition even more challenging.

Some of the steps outlined below (especially the 'digital housekeeping') could also deliver benefits to you and your clients beyond MTD.

First steps

The most important first step is to ensure that you fully understand the MTD ITSA requirements, and what they might mean for your practice and clients.

Both the ATT (see tinyurl.com/5n8574jm) and CIOT (see tinyurl.com/3ps3xca3) have dedicated MTD ITSA landing pages directing you to further content. You should also consider attending webinars – a recording of a free ATT/CIOT webinar from earlier this year can be accessed at tinyurl.com/cbjj57ar (enter password TVD368PGB) and the ATT held a further free webinar for their members on 3 October (you can access the recording at tinyurl.com/5n8574jm). HMRC also frequently features MTD in its Agent Update and other newsletters.

The next step is client segmentation. Out of your client base, who will be in scope of MTD ITSA and when? As set out above, mandation from April 2026 will be based on income reported in the self-assessment return for 2024/25, which it may be possible to estimate fairly reliably. Getting a feel for how many clients will need to be supported through the transition to MTD ITSA will help you determine the amount of further work you need to do.

As part of this segmentation exercise, you should also consider whether any of your clients could qualify as 'digitally excluded' or fall into another exempt category. HMRC provides more information about exemptions at tinyurl.com/mr3vny8b.

Next steps

Once you have identified which clients are going to be in MTD ITSA, the next step is to consider how much support they will need.

Clients who are relatively tech savvy may be comfortable keeping their own digital records and filing quarterly updates, in which case it may still be possible to only engage with them once a year when finalising their tax position.

At the other end of the spectrum, some clients may prefer their agent to handle everything – keeping their records, filing their quarterly updates and doing their year-end filing. Others may wish to engage a bookkeeper to keep their records and file quarterly updates, but have year-end filings handled by their tax agent (something which should be possible by April 2026, when HMRC has promised to deliver functionality to allow multiple agents to be appointed per tax).

You will need to talk to your clients to see what arrangements they are happy with, bearing in mind the additional fees and administrative burdens of the various options.

Only by identifying what level of support clients might need can you then consider the important question of resourcing. Will your practice realistically be able to supply all the additional services needed by clients?

Does this affect decisions about staffing levels, or even the ability to take on new clients or retain existing ones?

Software choices

A further key consideration is whether you have the right software in place to service your clients under MTD ITSA. Compatible commercial software will need to be used to keep digital records and submit quarterly updates. HMRC will not be providing any software, though it is anticipated that it will provide an online service for final year-end reporting where it is not possible to do this through commercial software.

HMRC publishes a list of MTD ITSA compatible software (see tinyurl.com/2tmmu76a). Those looking at this list now may be surprised at how short it is. However, a number of suppliers (including some of the bigger ‘household names’) are expected to come online soon.

If your chosen provider does not appear on either the ‘available now’ or ‘in development’ list, you should speak to them sooner rather than later to find out their plans. If your software provider is listed, you still need to consider whether they will be able to support all your client needs in a cost-effective manner.

For some clients, including those with simple affairs or using bespoke software systems, you may want to consider using alternatives to a full tax and accounting software package. This could include using a spreadsheet to keep digital records, and then a cheaper piece of ‘bridging software’ to submit quarterly update information to HMRC in the required format.

HMRC testing

One way to get your practice ready for April 2026 is to consider joining HMRC’s testing programme. I recently recorded a *Tax Adviser* podcast with Rebecca Benneyworth about her experiences of testing so far – this is worth a listen if you are considering signing up (see www.taxadvisermagazine.com/podcasts).

In 2024/25, HMRC’s testing will be at a fairly low scale, focusing on agents and aiming to test a range of different types of taxpayer circumstances rather than bringing in a large number of participants. It is then expected to expand as we move into 2025/26.

Unfortunately, not everyone can currently join testing. Agents will need to be using one of the relatively small number of software packages shown as ‘available now’ on HMRC’s list of MTD ITSA compatible software (see tinyurl.com/2tmmu76a). Taxpayers will also need to have a 5 April year-end, or a 31 March year-end (if software can support this). Other taxpayers, such as those subject to the high income child benefit charge or with joint held property or partnership income are also unable to join at this stage. Some of these exclusions are expected to fall away when testing is widened further in 2025/26.

There are, of course, pros and cons of joining testing. Joining will give you a chance to familiarise yourself with MTD ITSA and stress test your systems and processes with dedicated HMRC support. However, it will inevitably involve additional work for both you and your clients.

At this stage, it is advisable to only enter one or two clients at the most into testing, ideally ones who are particularly adventurous or tech savvy. The sign-up process includes an initial eligibility checker, which can be used to narrow down a list of potential clients and identify possible candidates. However, you will need to speak to your client and get their approval before signing them up.

As an alternative, if your firm meets the criteria, you could sign yourself up for testing. This gives you a chance to have a trial run, without worrying about client approval, engagement letter changes, etc. Before signing up any client (or yourself) for testing, you should speak to your software provider to ensure they can support you through testing.

Further details of the pilot testing including how to sign up can be found on GOV.UK (see tinyurl.com/bd2f9z9p).

Digital housekeeping

Even if you and/or your clients are not quite ready to join MTD ITSA testing, there are several ‘digital housekeeping’ steps which can be taken in the meantime to ease the transition to MTD ITSA.

You should consider encouraging those clients who don’t already have one to sign up for a business bank account. Bank feeds can then be linked to your software or that of your client. Some business bank accounts also come with free record keeping software.

Another area to look at is encouraging better record keeping behaviour amongst clients. Clients should be encouraged to engage with their records more frequently. If you have paper-based clients, you should also encourage them to transition gradually to digital record keeping. This doesn’t mean moving to a full software package straight away – an intermediate step could be getting them used to a simple spreadsheet. You should also consider encouraging clients to sign up for the HMRC App – a good way to access a range of tax and benefits information, including employment and income history for the past five years.

All the above steps could make life easier for both you and your clients and improve business management and financial insight, even without considering MTD ITSA.

Another step is to ensure your firm has an Agent Services Account (ASA) in place. The ASA will replace existing Government Gateway accounts under MTD ITSA. You can only have one ASA per firm, and your firm may already have one if they are involved in VAT or Trust Registration Service work (which already use the ASA). If you are unsure, the first step is to check with colleagues working in those areas.

Once the ASA is set up, existing Government Gateway accounts can then be linked to it. This doesn’t prevent the old accounts from being accessed or used, but instead creates a dynamic link between the two. There is no need for your clients to reauthorise you, as existing authorisations will be carried across. You can therefore carry out this step at any point.

Taking small steps such as these now could make your life easier as April 2026 approaches.

The final furlong

As we move into 2025/26, there will be several final tasks for agents.

If you haven’t entered clients into testing this will be your last chance to have a trial run.

Beyond this, all clients mandated from April 2026 will need to be signed up to MTD ITSA – this is not something that HMRC will do automatically. There will be no bulk sign-up facility, meaning that clients will have to be signed up one by one. HMRC has, however, indicated that it will open the sign-up window as early as April 2025 to allow agents extra time.

As set out above, if you have clients who you believe are digitally excluded, you will need to apply to HMRC for exemption. It is not yet known exactly how this will work in practice, but HMRC has indicated that exemption applications will be accepted well in advance of April 2026, and possibly as early as April 2025.

Other practicalities to consider include final checks on resourcing. Does your firm need extra help to get clients across the line? Will fees need to increase and by how much? Any increases should be communicated to clients as far in advance as possible. Finally, you should ensure that whatever is agreed with clients regarding changes in scope of services and fees is reflected in your engagement letters. The ATT and CIOT are currently working on updates to their engagement letter templates – keep an eye out for more on this.

The final message

The above is a very high-level summary of what agents need to think about in the next 500 or so days to ensure that they, their clients and their practices are MTD ITSA ready. Given the limits of a single article, there are undoubtedly extra steps which I have not been able to cover.

Although the above may seem daunting, putting off preparations will not be productive in the long run. There is much to do, but starting as soon as possible will, hopefully, make April 2026 go much more smoothly.