



## BUSINESS RESOURCE

# Making Tax Digital (MTD) - A Simple Guide

A plain-English step-by-step guide to what MTD for Income Tax means for record keeping and how organised bookkeeping can help.

A practical Harrian Bookkeeping guide for small businesses across the UK.

### How to use this guide

Work through the steps in order. Tick off or note anything that needs attention, and keep the guide with your bookkeeping records for reference.

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## What is Making Tax Digital for Income Tax?

Making Tax Digital for Income Tax is HMRC's system for requiring certain sole traders and landlords to keep qualifying business records digitally and use compatible software to send information to HMRC.

## Who is brought in and when?

Current HMRC guidance says MTD for Income Tax applies from 6 April 2026 to qualifying individuals with total annual self-employment and property income over £50,000. The threshold is due to reduce to over £30,000 from April 2027 and over £20,000 from April 2028.

## What the process looks like

**1**

### **Work out whether MTD applies to you**

Check your qualifying self-employment and property income against HMRC's current thresholds. If you are unsure, confirm the position with HMRC or your tax adviser.

**2**

### **Use compatible software**

Your digital records need to be kept using software that supports the MTD requirements that apply to you. This may be one product or a combination of digitally linked tools.

**3**

### **Keep digital income and expense records**

Record business income and expenses digitally throughout the year. Good bookkeeping makes the quarterly process easier because the underlying records are already organised.

**4**

### **Send quarterly updates**

Compatible software totals the digital income and expense records and sends quarterly updates to HMRC. These are summaries of the records, not full tax returns.

**5**

### **Complete the year-end tax process**

The annual tax return process still involves reviewing the year's information and making any necessary adjustments or claims. Harrian Bookkeeping does not currently provide tax-return or tax-advice services.

## How to prepare your bookkeeping now

**1**

### **Stop relying on year-end catch-up**

Move towards regular bookkeeping so income and expenses are recorded while the information is still easy to identify.

**2**

### **Keep supporting documents organised**

Store invoices, receipts and statements digitally in a way that can be linked or traced to the bookkeeping records.

**3**

### **Review your software**

If you use spreadsheets or older software, consider whether your current setup will support your future MTD obligations and how a move to compatible software would be managed.

**4**

### **Reconcile regularly**

Keep bank and card accounts reconciled so the digital records are based on complete, checked transactions rather than unverified imports.

**5**

### **Ask about responsibilities early**

If a bookkeeper and accountant are both involved, agree who is responsible for the bookkeeping, the MTD submissions and the year-end tax return so there are no gaps.

Accurate bookkeeping helps keep your financial records organised and ready for Making Tax Digital (MTD).

## Important

MTD rules and thresholds can change. This guide reflects HMRC information available in August 2026 and is general information only. Harrian Bookkeeping provides bookkeeping services only, not tax advice or tax-return services.

## Official references

HMRC - Making Tax Digital for Income Tax step by step:

<https://www.gov.uk/government/collections/making-tax-digital-for-income-tax-for-businesses-step-by-step>

HMRC - Use Making Tax Digital for Income Tax:

<https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax/before-you-use-this-guide>

## Need help keeping your bookkeeping organised?

Harrian Bookkeeping provides reliable bookkeeping support for small businesses across the UK. Email **hello@harrianbookkeeping.com** or call **07831 524703**.

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