



MTD Guide

A Guide to Making Tax Digital with AutoEntry and AccountsPrep

Making Tax Digital for Income Tax is a significant change to how qualifying individuals record and report business and property income to HMRC.

Designed for accountants and bookkeepers, this guide provides essential information on Making Tax Digital for Income Tax, who it impacts, its thresholds, timelines, and how AutoEntry and its add-on AccountsPrep can help accountants, bookkeepers, and their clients navigate this transition smoothly.

Helping every client - even the most challenging

With guidance, most self-employed and landlord clients will be able to manage the requirements effectively. AutoEntry is designed to ease the collection of data for any kind of business, so Making Tax Digital for Income Tax provides the opportunity to introduce those that are able and willing to engage with their financial affairs a simple way to do so.

Not every client may be as able or willing, and may ask you to handle things for them from beginning to end. For those clients, AutoEntry and its AccountsPrep addon will make your life easier and provide a cost effective solution. By extracting and digitising the core banking data, AutoEntry and AccountsPrep allows you to very quickly check and code every relevant line ready for export and reporting.



The requirements in a nutshell

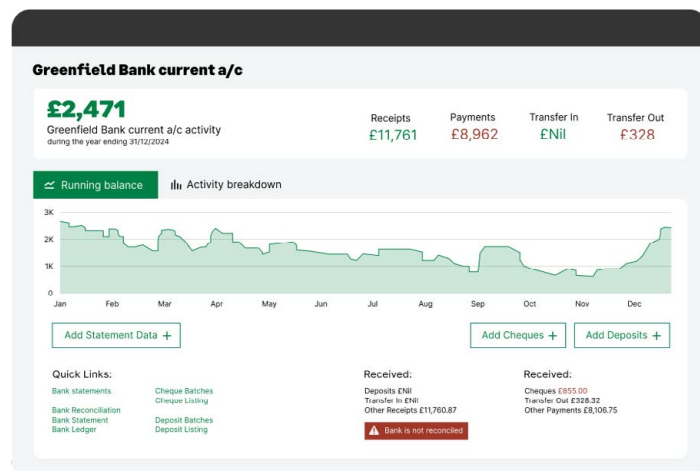
From April 2026, Making Tax Digital for Income Tax becomes a legal requirement for sole traders and landlords with income over £50,000.

Those earning over £30,000 join from April 2027, with those earning over £20,000 joining from April 2028.

The primary requirements are as follows:

- Keep digital records of income and expenses using MTD-compatible software.
- Use MTD-compatible software to submit reports quarterly to HMRC showing income and expenditure, along with a final declaration and digital tax return by 31 January.
- Digitally link any systems that handle income and expenditure together in a legally compliant way.

The tax due needs to be paid by the 31st of January following that tax year.



Making Tax Digital for Income Tax - The client challenge

While MTD isn't a change to tax, it is a change to the way in which clients must keep their financial records and when HMRC expects to see some of their numbers.

For some clients this will be a big change to their habits and behaviours around basic bookkeeping, especially for those that see doing their tax return as an annual event.

Particular challenges for clients will be:

- Getting to grips with the new rules
- Insecurity around doing things correctly
- Understanding the broader business benefit

And while it is understandable that change is not always easy, providing them with the information, tools, and service solution in plenty of time should help them adjust and feel confident.



The challenge for accountants and bookkeepers

The challenge for accountants and bookkeepers is a little more involved, not just in creating an orderly transition to the new requirements but also building a scalable and efficient base moving forward.

Some of the key challenges are:

- Formulating a service proposition that works for you and your clients
- Creating the workflows that will make your life as easy as possible
- Choosing the right technology (both for clients and internally)
- Ensuring all impacted clients successfully make the transition in time.

Ultimately, this is something that every firm needs to prepare for, and taking a front foot approach now will put you in the best possible position.

Considering the needs of every client is essential. Adopting tools like AccountsPrep, which is exclusively available to accountants and bookkeepers, will help in ensuring you are able to service even the most challenging of clients cost-effectively.

A timeline of key events - the approach of mandation

Although there have been delays to the planned start for Making Tax for Income Tax, the commencement date of April 2026 is fixed in legislation and the public beta as of April 2025 provides increased certainty.

Timeline for the introduction of Making Tax Digital for Income Tax

The majority of the work required for Making Tax Digital for Income Tax will happen before April 2026.

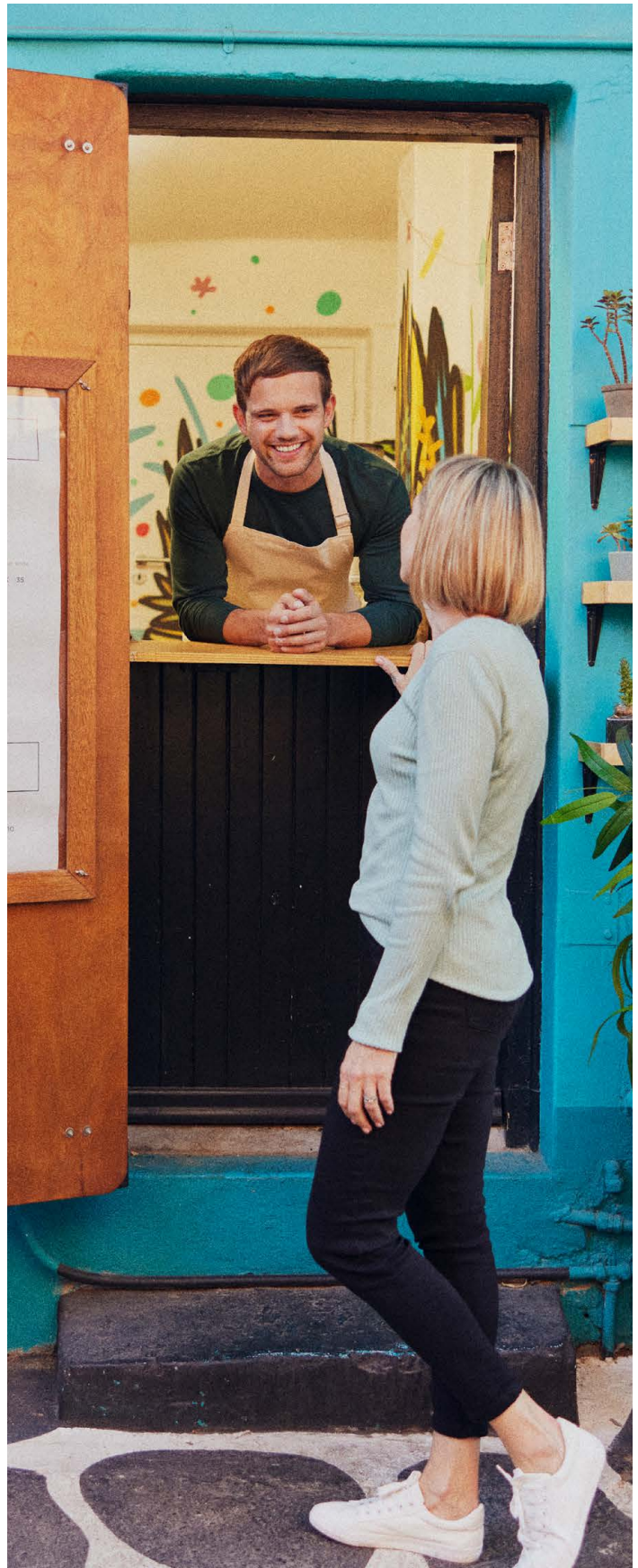
Accountants and bookkeepers will need to ensure suitable software is in place to do their clients' bookkeeping/accounting, and implement and test internal systems before the first cohort is mandated.

The key dates are:

- April 2025: Accountants and bookkeepers begin authorising Making Tax Digital for Income Tax clients via their Agent Services Account.
- An expanded public beta programme also begins, and is opened to a broader range of client types. Participating will ensure you have time to get used to the new way of working with some live clients before mandation.
- April 2026: Making Tax Digital for Income Tax becomes a legal requirement for those with business and property income over £50,000
- April 2027: Those with qualifying income over £30,000 are brought into scope
- April 2028: Those with qualifying income over £20,000 will be introduced.

The government has also indicated that it will consider how to bring in those with income below £20,000, which would indicate that the threshold could be lowered even further in the future.

Partnerships are currently excluded, although this may change in the future.



Timeline for the new Making Tax Digital penalty point system



Making Tax Digital for Income Tax uses a penalty system whereby points are accrued that can lead to financial penalties. This aligns with the system that was introduced for VAT in 2023, however the two are separate to each other.

Here are the key dates:

- 6 April 2025: The new penalty system will come into effect for Making Tax Digital for Income Tax users who are in the public beta; however there will be no penalties for late submission during the testing phase.
- 6 April 2026: Penalty points will apply to late submission (including final declaration) and payments for all those in Making Tax Digital for Income Tax

Digital linking

A central consideration for MTD for all kinds is ensuring that, once the income and expenditure data required for MTD is in the system, any further movement of that data (e.g. into a different system) is done in a legally compliant way. This is known as digital linking and its goal is to preserve the integrity of the data and ensure everything is kept digital, end-to-end, all the way through to submission.

For many sole traders, who rely upon a single accounting ledger, this won't be much of a consideration because the same software will be used to make the submission to HMRC each quarter and yearly.

However, it could become an issue for accountants and bookkeepers who might collate the data in one system, and then transfer it to another for HMRC submission or further processing.

For example, it would not be legally compliant to manually type details from one accounting system into another if those are relevant MTD for Income Tax records. Nor would it be legally compliant to cut/copy and paste that data.

The following are considered legally compliant ways of digital linking:

- Automated data transfer.
- Links within a spreadsheet, such as formulas.
- Emailing a file for import into another product, or using a portable storage device like a USB stick in the way.
- CSV or XML import and export, and download and upload.

Preparing your firm and your clients

Putting your plan in place should also allow you to create your own timeline, whereby you can lock in key dates such as client segmentation and communication, choosing technology, and helping clients make the transition in plenty of time.

Thresholds - all you need to know

Individuals need to observe the Making Tax Digital for Income Tax rules if their income crosses a threshold.

It's worthwhile exploring not just what this is, but how it is calculated.

What is the threshold for Making Tax Digital for Income Tax?

- From April 2026, sole traders and landlords with an annual income of more than £50,000.
- From April 2027, the threshold will be lowered to those over £30,000.
- From April 2028 the threshold will be lowered further to include those earning more than £20,000.

The government is also considering how to include those under £20,000 at some point in the future.

To work out if the threshold is met you must combine all self-employment and landlord income for that specific client. HMRC describes this broadly as all business and property income.

Over what period is the threshold for Making Tax Digital for Income Tax calculated?

The period over which the threshold for Making Tax Digital for Income Tax will be calculated is the tax year.

For those starting in:

- April 2026, the tax year used to calculate this will be 2024/25.
- April 2027, the tax year used to calculate this will be 2025/26.
- April 2028, the tax year used to calculate this will be 2026/27.

To help with this process moving forwards the rules have changed so that all unincorporated businesses—such as sole traders—must use the tax year (6 April – 5 April), or 1 April–31 March as their basis period.

Landlords have always used the tax year, and the recent process of basis period reform aligned older businesses in a similar way.



What's considered qualifying income?

Qualifying income is that which only comes from self-employment and property income from UK sources (although foreign income from self-employment or property is included if the taxpayer is resident in the UK).

Note that the income that needs to be considered might be from multiple self-employments and/or properties owned. Each will require its own quarterly update.

Are there separate thresholds for self-employment income and landlord rents?

Income from self-employment and landlord rents are combined. For example, if a self-employed plumber with £35,000 income from that trade, also receives £20,000 from rental income, then the total qualifying income of £55,000 pushes them over the £50,000 threshold

If there is a shared ownership arrangement, then only the proportion related to that specific landlord is included.

For example, if rental income from an apartment block is £70,000 per annum, and a client's share of that is £55,000, then that would push them above the threshold of £50,000.

As mentioned, any self-employed income must be added to this. In other words, if they received £30,000 from a share of rental income, and self-employed income of £29,000, then the total income of £59,000 would take them over the threshold for starting in April 2026.

Segmenting your clients

Segmenting clients in a way that gets best results

Introducing Making Tax Digital for Income Tax to clients will need to be done carefully, so the right client gets the right kind of information and support they need.

This means segmenting clients into lists to assign practice resources, and also deliver the very best client experience. For example, there will be those who are technically savvy, and those to whom the new regime will be a shock to the system. What each requires from you could vary considerably.

Initial segmentation: Who it applies to and when

The first aspect of segmentation must be who is affected and when. From an up to date client list of self-employed and landlord clients, add the total qualifying income from the last tax return.

This list of clients and income can then be used to understand who will be impacted and when, and allows you to see the size and scale of the task at hand.

Forming a view: Who will need what kind of help

The next stage will be to form a quick view of what kind of help each individual client may need moving forward.

Break this down into two distinct areas:

1. Do It With Me - in other words clients that will need some support and input from you
2. Do It For Me - those clients who will want you to do everything for them (including the digital record keeping, which is effectively a bookkeeping service)

Knowing what your clients are prepared and able to do on their own is going to be important so that you can target the right services to them in the not-too-distant future.

The right approach for every client

AutoEntry gives you the flexibility to adapt to whatever your clients need. If clients need you to Do It With Me - the ability to offer them tools to pull in the data from their mobile devices and email totally streamlines the production of the essential data ready for export.

For those that need you to Do It For Me, AccountsPrep imports bank statement data allowing you to quickly confirm categories, even in bulk, without the need for complexity and involvement from the client themselves.



Notably, it's possible for a client to be entirely legally compliant with MTD for Income Tax if their bookkeeper or accountant does their bookkeeping on a quarterly basis, digitising their records at that time. In this way, the client need not even use MTD software, or any accounting software at all.

A hands-off service compliant service, that you control

The advantage of working with AutoEntry's AccountsPrep add-on is that the client may never need to know or be involved with working directly with a ledger, and yet you will still be keeping them compliant.

You could even choose to work on their data on a monthly or even quarterly basis - there is no need to create a digital record in real time, as long as it's done before the quarterly update is submitted.

Making Tax Digital for Income Tax: Three questions to ask clients

To help verify your assumptions, tell your clients about the new rules and regulations and ask them to respond to these three questions:

“How comfortable are you with keeping your bookkeeping records digitally, so that they can be submitted each quarter to HMRC?”

This should establish if the client feels comfortable and confident enough already. If they are, then it could be that you are pushing on an open door, and helping them make the move to being Making Tax Digital-ready is something that you can prioritise now.

A negative response is probably an indicator that they will need more help and assistance, perhaps because they don't know what it entails. Or, it might be a lack of confidence.

“Would you be happy to use your phone or computer to record or send us your receipts and invoices with an easy to use app?”

This is designed to see what technology they have to hand, and if they are willing and able to use it. By framing it as an easy-to-do task it allows you to position the effort as being something taken on by the software or you, rather than themselves.

“Our fees will be increasing to meet the extra work that Making Tax Digital for Income Tax will create. Can I show you how we might minimise the impact on your bill?”

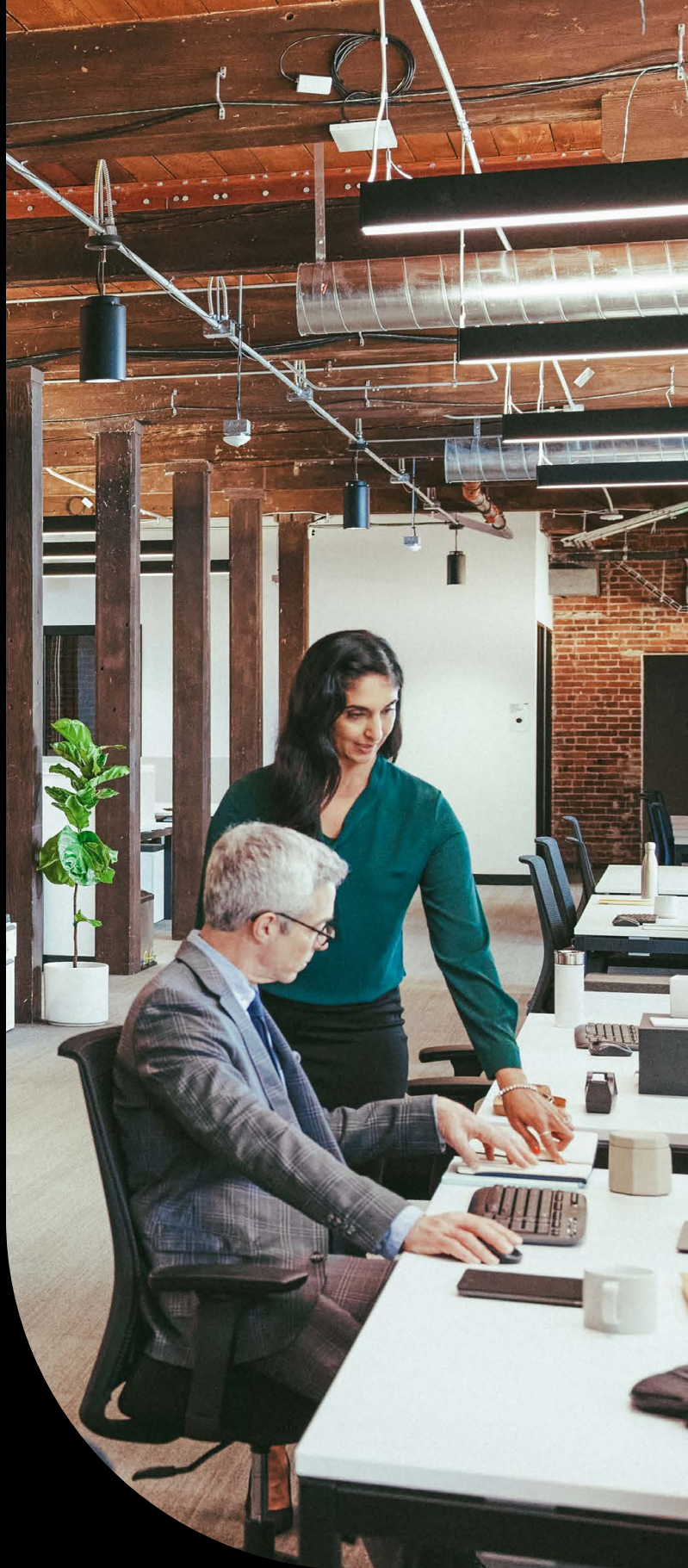
In order for you to provide a sustainable service it is very likely that your fees will need to be reviewed. Helping clients to minimise any potential cost increases will largely be down to them doing more of the work themselves, or working in the most efficient way.

Those who are positive when answering are giving you permission to show them how doing some of the work themselves will reduce the reliance and cost of doing the full bookkeeping service.

Segmentation gives you the head start

Taking action is only really effective when we can make informed decisions. For your practice that means understanding the size and scale of the opportunity and challenge of implementing Making Tax Digital for Income Tax through segmentation.

Segmenting your client now puts you ahead of the game and allows you to build the very foundations of your approach, and select the right AutoEntry tools for your practice and clients.



Automation can enhance your processes

It is expected that around 780,000 people with business or property income over £50,000 will join Making Tax Digital for Income Tax from April 2026 with a further 970,000 joining from April 2027, and 900,000 more from 2028.

Meaning that the volume of data that needs to be collated and coded ready for submitting summary data every quarter will be huge.

As an accountant or bookkeeper, this is an opportunity to use AutoEntry to be as streamlined as possible and to put efficiency and quality at the heart of this new process.

Dealing with lots of standardised data

Given the size of the cohort involved with Making Tax Digital for Income Tax, there will be a lot of variations in terms of the type and frequency of income and expenditure.

However, there is likely to be a great deal of consistency for each individual client depending on their particular trade. Expenditure for freelance designers might include some travel, software licenses and cost of materials, while those in construction might incur vehicle, tools, and protective equipment costs.

Landlords in particular are likely to have both income and expenditure that varies little from quarter to quarter.

Putting simpler types of business at the top of the list for review at the end of each quarter should mean you can get them submitted to HMRC quickly and relatively easily, particularly if you can be sure all the data is there to **review promptly**.

Providing line item breakdowns, and creating completeness

While MTD isn't a change to tax, it is a change to the way in which clients must keep their financial records and when HMRC expects to see some of their numbers.

For some clients this will be a big change to their habits and behaviours around basic bookkeeping, especially for those that see doing their tax return as an annual event.

Particular challenges for clients will be:

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And while it is understandable that change is not always easy, providing them with the information, tools, and service solution in plenty of time should help them adjust and feel confident.

Purchase ledger automation

Depending on the level of consistency of the suppliers used by your clients, purchase ledger automation can be used to reduce the level of manual coding even further.

Teaching AutoEntry how to handle invoices and receipts from certain companies means that the preparation time can be further reduced, leaving you to do the final checking before sending it to the ledger for reconciliation.

As these rules are taught and not presumed, you retain control over how the automation works, and how you want it to work moving forward. This level of control is essential to building trust, and means that you can add-in your professional experience and knowledge of the client directly into the automation rules themselves.

Working directly with banking data

For certain clients getting the data you need could still be a challenge, in which case AutoEntry AccountsPrep could be the vital step you need.

By taking data directly from statements uploaded via CSV you are able to bring a similar level of control and automation to the data categorisation. Exporting a trial balance for quarterly submissions, and as part of the finalisation process at the end of the tax year should be so much easier, and when applied at scale should ensure that you are not consumed with chasing data from the most challenging of clients.

Automating the simple to the most complex client needs

As automation at its most fundamental is about removing tasks that gain no extra value by being done manually, firms can use this to their advantage in helping to build sustainable services (in terms of effort and time required) moulded to suit each client.



AccountsPrep: The fast route to MTD compliance

Accountants are struggling with their workload. The recent Practice of Now global trends update from Sage reported that 66% of accounting professionals say their current workload gets in the way of serving client needs.

The cause is often manual processes, such as clients providing 12 months' worth of paperwork at tax time, and expecting their accounting or bookkeeper to make sense of it.

Even if manual entry is automated via a tool like AutoEntry, there's still a need to reconcile and adjust the data to get to an accurate trial balance.

Bank Statement Reconciliation

Posted

Unposted

Searching is easy: Just start typing

Select & Match with:

Transfer

Cheques

Deposits

Uncheck all Check all duplicates 12 lines are currently selected

	Date	Details	Reference	Account	Tag	Tax	Payments	Receipts	
<input checked="" type="checkbox"/>	03/06/2024	Beep broadband					65.31	0.00	→ ⇄ ×
<input checked="" type="checkbox"/>	03/06/2024	Beep broadband					65.31	0.00	→ ⇄ ×
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<input type="checkbox"/>	09/07/2024	Office Supplies Co				20%	64.93	0.00	→ ⇄ ×
<input type="checkbox"/>	13/07/2024	Orchard Cafes	Staff lunch	362 Entertainment			70.70	0.00	→ ⇄ ×
<input type="checkbox"/>	24/07/2024	Orchard Cafes	Staff lunch	362 Entertainment			59.80	0.00	→ ⇄ ×
<input type="checkbox"/>	28/07/2024	Office Supplies Co		341 Printing and stationery		20%	105.00	0.00	→ ⇄ ×

Select an Account

341 | Printing and stationery

342 | Advertising and marketing

345 | Telephone and internet

346 | Computer and IT costs

Cloud accounting

Cloud accounting provides one solution for do-it-with-me clients, of course. But what about the do-it-for-me clients?

Small-scale landlords are a good example, where identical income arrives monthly and expenses are minimal. Other clients with simple accounting needs might be side hustlers, who earn a taxable income in addition to their day job.

But as you know, many clients simply can't, or won't, make use of technology no matter how powerful a case their accounting and bookkeeper makes.

AutoEntry has a perfect solution: AccountsPrep. It can turn hours of work into mere minutes. It forms an efficient workflow to use as a foundation in your practice.

Introducing AccountsPrep

No ledger? No problem! AccountsPrep means you can prepare, adjust and output a trial balance for an unlimited number of clients as an add-on to your AutoEntry subscription.

You can then output this to a final accounts solution for MTD or Self Assessment submissions.

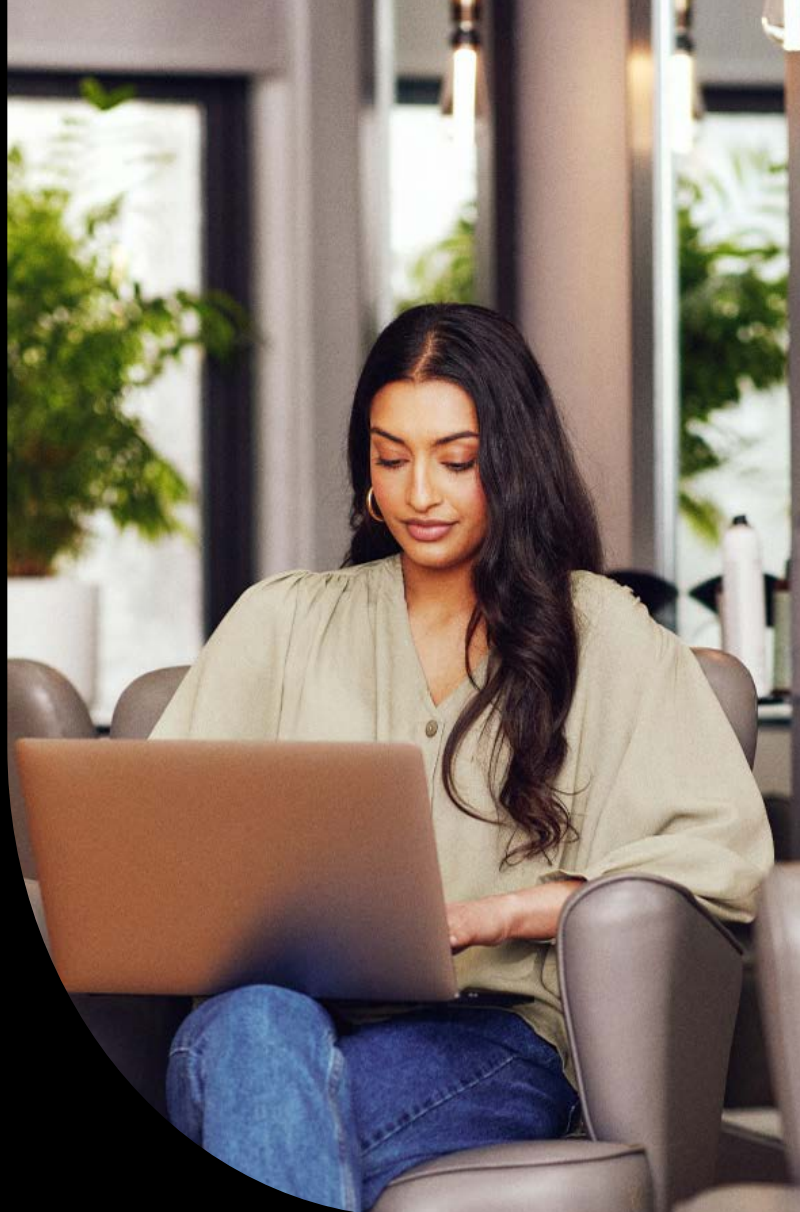
For example, it can be used for MTD for Income Tax's quarterly reporting. Three months of PDF or print bank statements are uploaded into AutoEntry in the usual way for extraction. The data is then imported into AccountsPrep where it can be reviewed, updated and bulk fast-coded to a chart of accounts (for which templates are provided, or you can use your own).

Cheques and deposits can be created and matched, too, and off-statement journal adjustments posted via three methods—standard journal, double journal, and manual quick edits direct in the journal.

Single transactions can be split into several lines for multiple nominal/tax codes, and you can make transfers between multiple bank and credit card accounts.

Once reconciliation has finished, you can instantly output reports such as a P&L, balance sheet, trial balance or tax report. Crucially, you can also export to your accounts production software of choice for tax compliance.

Easy-to-understand visuals demonstrating cash flow and yearly results can be created to provide clients with insight.



Get AccountsPrep

AccountsPrep is available now as an addition to any AutoEntry subscription for use with an unlimited number of clients.

This continues AutoEntry's "unlimited" approach, where with each subscription to AutoEntry, our customers pay only for the data extraction they use. All customers get unlimited client companies, user accounts and cloud storage for scanned docs.

If you're an existing AutoEntry user, all you need do is open your dashboard, click Settings, and then select to add AccountsPrep.

AccountsPrep: The biggest cost and time saving tool you're ever going to use

Accountant Lee Coombes has been using AccountsPrep for some time, and had this to say about how it has transformed the way he works with simpler clients.

How do you use AccountsPrep?

It's brilliant for end-of-year work. I did a job this morning for a client who gave us 12 months' worth of bank statements. With AccountsPrep I can literally just bash out a job with 500 transactions in about 30 minutes. And that's not even rushing! Previously that would've taken me up to four hours.

You can also do things like VAT Returns because you can set AccountsPrep for quarterly filing, too. I used AccountsPrep this morning to prepare a VAT Return for a carpenter. There were 157 transactions and with AccountsPrep, it took me about three or four minutes to process.

I even use it daily. We have restaurant clients where we use AccountsPrep daily to pull the transactions off the bank account. I use software that turns the bank account into a CSV file and then I import this into AccountsPrep.

What clients do you use AccountsPrep with?

It's for clients don't have accounting of any kind. They don't use or they don't need accounting software. They use cash accounting, rather than accrual.

And there are a lot of clients out there like this, believe it or not. In my practice, I'd say there's a 70/30 split in favour of clients who don't use accounting software. We're moving them all over now to AutoEntry and AccountsPrep. Often these are clients like construction industry workers, or within the hospitality industry, like pubs and restaurants.

AccountsPrep is open to so many different types of clients, even up to medium-sized businesses as well as smaller.

Typically with these clients, they're paid through the bank, and everything they buy is through the bank (or cash, or on account with a supplier). Effectively, the bank account is their general ledger. Everything I need as an accountant is there. And AccountsPrep lets me turn that into accounts incredibly easy.

You can use it for limited companies, too. You can input the opening balances from the previous year, then pull through the new data from the bank accounts and so forth. You can then produce journals for end of year, produce a trial balance, and then import that into accounting software.





Is AccountsPrep useful now governments require the digitisation of tax?

Here in the UK we have Making Tax Digital (MTD) for Income Tax coming in 2026. I'm building my MTD proposition around AccountsPrep. The fact is that clients who don't want accounting software now are not going to want it when MTD comes in, either.

We can pull regular bank transactions in and we know what they are, obviously. But we can also manually input to AccountsPrep, as well.

So even if a client's using their personal account they can give us a list of their debits and we can pull them in manually from their bank account. Even more than this, we can use AutoEntry to extract the data for clients with cash paperwork receipts, or invoices for things out of the ordinary, and put it straight into AccountsPrep.

We can just ask them for access to the bank account. It's faster and cheaper for them, too, compared to a cloud accounting subscription.

MTD requires a summary of client data to be sent to HMRC approximately every 90 days, or three months. But with AccountsPrep we can be updating their accounts once a week or once a month. We're not chasing clients for data. We're just going to do it live, all the time.

What are the strengths of AccountsPrep?

The coding, reconciling and adjusting is so simple. Just click the income button so all the income transactions at the top, select them all, and code them as sales straight away. Then just list all the outgoings by alphabetical order so all the identical ones are next to each other, and it's just a process of tick-tick-tick to code them. From a cost point of view, it's perfect.

If you can use a spreadsheet, you can use AccountsPrep. I can use my own chart of accounts, like I do for corporation tax with limited companies, or use the ones that are already there for sole trader clients.

We use the reporting feature to output a profit & loss for some clients, too.

The price is perfect. We used a fixed pricing model, so if we can save time, it's a no-brainer for us. Clients don't care how we do it. They don't care if it takes you one hour, or ten hours.

AccountsPrep is the biggest cost and time saving tool you're ever going to use for fast coding bank transactions.

Accept the practice and client challenge with AutoEntry

With AutoEntry you can:

- **Reduce manual data entry:** Not overwhelmed with the volume and complexity of client record keeping.
- **Enhance client collaboration:** Empowering clients to easily comply, and overtime be more in touch and get better use out of their data.
- **Scalable effectively:** Handling the increased volume of data with ease, allowing your practice to expand without sacrificing quality.
- **Keep peace of mind:** Ensuring compliance and minimising the risk of penalties with accurate, timely submissions.

With AutoEntry you can:

- Prepare, adjust and output a trial balance for an unlimited number of clients—just import the data and bulk-reconcile in minutes.
- Import a chart of accounts, or use one of the readymade templates.
- Split large transactions into individual lines for separate coding.
- Make adjustments via standard, double or manual quick journal edit.
- Cheque and deposit creation and matching.
- Transfer between multiple bank and credit card accounts

Making Tax Digital for Income Tax is not just a regulatory hurdle; it's an opportunity. An opportunity to transform your practice, streamline your workflows, and provide unparalleled value to your clients. While the changes may seem daunting, with the right tools and strategy, you can not only navigate this transition smoothly but also emerge stronger and more efficient.

AutoEntry is a strategic partner in your journey towards compliance and beyond. From simplifying data collection with intuitive mobile apps to bulk fast data reconciliation with AccountsPrep, AutoEntry offers a comprehensive solution tailored to the diverse needs of all your clients.

Ready to take the next step?