

s@cket

Pricing MTD for IT Properly



Make MTD IT a Pricing Success

Most conversations about MTD for Income Tax focus on processes, software selection, submission mechanics, and deadlines. But by focusing only on compliance, we're missing the issue of profitability.

MTD for Income Tax is coming, and for most practices it means more touchpoints, more responsibility, and more risk carried across a larger portion of the year. That shift has a cost, and it is worth taking seriously.

The case for positioning the value of your professional services has never been stronger. Accountants and bookkeepers are now competing with free tools from banking platforms and software providers, and must deliver features that a free app can't replicate.

How practices package and price their services matters more than ever, because without clear scope and deliberate structure, margins are the first thing to suffer. The firms that struggle under MTD tend to be the ones with vague scope, bespoke fees negotiated case by case, and no clear structure for what happens when a client's records need more than a quick review.

Building a pricing framework that can serve all types of clients, without absorbing unpredictable work into a flat fee, is what separates practices that grow under MTD from those that simply get busier.

Think of it less like a science and more like cooking: the ingredients are your services, your time, your expertise, and your client base. The recipe is yours to define. What follows is a framework to help structure it, particularly if you are not sure where to start.

Calculate Your Velocity

Turning Your Costs and Capacity into a Pricing Foundation

Pricing that works starts with knowing your economics from the inside out. If you don't understand your cost base and capacity then any fee you choose is guesswork. A practical pricing model begins with calculating your **delivery velocity**. This is the minimum rate that ensures your firm covers cost, accounts for capacity, and earns a commercial margin. **Velocity is simply a reflection of unit economics applied to your practice.**

1. Define Your Cost Base

Before thinking about MTD work, be clear about what it costs to run your practice. This includes:

- A commercial salary for each key role - including your own, if you're a practice owner.
- Overheads (rent, software, training, etc.).
- Desired profit margin (10 %-20 % or more - you decide).

These are the numerator in your pricing calculation (the total amount you need to recover plus profit).

2. Determine Your Capacity

Next, work out how many billable hours you and your team can realistically deliver over a year. This is your denominator.

Don't make the mistake of assuming 100% of time is billable; a significant portion of any professional's schedule is taken up by internal work, internal meetings, marketing, admin, and client management.

3. Calculate Minimum Velocity

Taking the total required to cover costs and profit (your numerator) and dividing it by your billable capacity (denominator) gives you your minimum effective hourly rate. This is your baseline, **below which your pricing becomes unsustainable.**

Even if you don't price by the hour, understanding the minimum viable rate ensures your fixed fees are set with real economics behind them. If your pricing ignores capacity, you will steadily erode margin as MTD workload scales.

Velocity turns pricing from speculation into a repeatable, data-informed process.

When you know your velocity:

- You can test whether your tiered pricing covers the cost of delivery and leaves room for margin.
- You can examine how client behaviour (e.g., messy records, late data submission) consumes capacity.
- You can justify value-based pricing (e.g., advisory elements) above and beyond compliance.

The Three-Layer Model

How to Price MTD Without Losing Control

Effective pricing for MTD for Income Tax requires more than a single fee or a simple uplift. The work involved varies considerably across a client base, and firms risk underpricing complex clients or overcharging simple ones. The three-layer model separates what must be delivered, what varies by client behaviour, and what represents additional professional value. Each layer builds cumulatively on the one below.

Layer 1: Compliance Baseline

The minimum viable MTD service.

This is the foundation for every MTD-mandated client, covering digital quarterly updates, end of period statements, high-level completeness reviews, submission responsibility, deadline management, and sometimes software set-up and recharging fees.

Pricing for this layer should be informed directly by delivery velocity. If the fee does not comfortably cover the time required to deliver these touchpoints at the firm's minimum effective rate, the rest of the model breaks.

Layer 2: Behaviour-Based Pricing

Where you risk losing margin.

The quality and completeness of records, timeliness of information, and a client's digital readiness, have a direct impact on delivery effort, and should be factored into pricing.

If the client needs help fixing their submissions, they live in layer 2. However, the extent of reconciliation must be pre-defined.

Layer 3: Advisory & Support

Deliberate value, priced on purpose.

Clients with complex needs and multiple income sources are more likely to see the value of deeper support.

This might include ongoing tax planning informed by in-year data, forecasting and cashflow support, proactive reviews, and structured access to the team for questions and guidance.

Translating Layers into Pricing Tiers

Tiered pricing aligns fees with delivery effort, so clients who consume more time fund that time appropriately. The goal is to avoid infinite bespoke fees and instead translate delivery reality into a small number of coherent tiers that can be applied consistently across a client base. It makes scope visible, meaning review, correction, and advisory support are no longer implied or quietly absorbed, and creates behavioural incentives, rewarding clients who maintain better records and submit information on time with lower fees.

Tier 1: Essentials

Compliance delivered efficiently, with minimal friction.

This tier is built around Layer 1, the minimum offering required to meet compliance. It suits clients who want professional oversight but are comfortable handling most of the day-to-day work themselves.

Typical client characteristics:

- Single income source
- Digital records maintained in Xero, QuickBooks Online, or equivalent
- Timely submission of information
- Minimal need for intervention or correction

What is included:

- Professional review for completeness
- Submission and deadline management
- Standard client communications within review cycle

What is deliberately excluded:

- Cleanup and remediation
- Queries outside the review cycle
- In-year tax planning or forecasting

Tier 2: Core

Compliance plus behavioural variance, priced explicitly.

This tier combines Layer 1 and Layer 2, and is designed for clients whose records and responsiveness require more active management than 'Essentials' can absorb.

Typical client characteristics:

- Higher transaction volume
- Moderate complexity
- Expectation of quarterly review rather than submission only

What is included:

- All Essentials services
- Quarterly review with issue flagging
- A defined level of correction and adjustment
- More frequent client interaction

What is deliberately excluded:

- Open-ended cleanup
- Unlimited access to the team
- Proactive planning outside agreed reviews

Tier 3: Pro

Full oversight, higher complexity, and ongoing support

This tier incorporates all three layers. The distinguishing factor here is depth of involvement rather than volume of work, making it suited to clients who want year-round professional input and strategic engagement.

Typical client characteristics:

- Multiple income sources or entities
- Property portfolios or investment income
- Messy or evolving records
- Appetite for proactive, in-year advice

What is included:

- All Core services
- Deeper review and correction
- Proactive tax planning conversations
- Advisory support and cashflow forecasting

What is deliberately excluded:

- Any add-ons you want to offer

Tips for using Tiered Pricing for MTD

Offer optional add-ons

Providing the option to add extra services to a package allows clients who want a little more support find a solution without moving up a full tier or going to another provider.

Frame monthly vs annual

For many clients, five touchpoints per year feels like more cost. Translate the fee into manageable increments: "£960 annually equates to £80 per month for five professional reviews"

Position services as risk mitigation and insight

Rather than describing your service as "compliance support," emphasise:

- **Professional review** and how early identification of errors reduces HMRC risk,
- **Peace of mind** to submit digital records without fear of penalties,
- **Financial visibility** because regular review enables better decision-making throughout the year.

Defining Scope

Most MTD pricing models fail because scope is left implied. When scope is unclear, exceptions follow and control goes out the window. Defining scope simply aligns your pricing with reality, and helps your clients to understand what they're actually paying for.

Review Time vs Fix Time

Under MTD, professional review is unavoidable. It is reasonable to include time for:

- Sense-checking figures
- Identifying anomalies
- Flagging missing or inconsistent information

What is not reasonable is fixing those issues without pricing this in.

Correcting categorisation errors, reconciling accounts, chasing missing data, or restructuring records all consume capacity. If this work is not priced explicitly, it is effectively being subsidised by the firm. This can be summed up with a simple rule:

- Review time sits in the baseline
- Fix time triggers a change in scope or fee

What Is Typically Included

For most firms, included scope at each tier will cover:

- Defined quarterly reviews
- An agreed level of correction within the review cycle
- Submission responsibility and deadline management
- Standard client communications within the review cycle

What Is Explicitly Excluded

Equally important is clarity on what falls outside the tier by default.

Exclusions are **pricing signals**, rather than refusals, and each excluded item should map cleanly to either a higher tier or a **separately priced service**.

These services could be included as optional add-on services, some examples:

- Correcting categorisation errors, reconciling, chasing missing data
- Advisory work
- Open-ended cleanup or remediation
- Queries outside scheduled reviews
- HMRC correspondence beyond agreed submissions
- Ad-hoc tax planning or scenario modelling

Client Affordability Analysis

Before you set your MTD prices, you need to understand whether your clients can absorb the cost, and what happens if they can't.

Start with your number, not theirs

Work backwards from what you need to earn to make MTD viable. If your target hourly rate is £50 and a medium-complexity quarterly MTD submission takes around 2 hours, then your floor price is £100 a quarter. Add software costs and you could be looking at £150+ a quarter before you've made a margin.

Segment your clients by what they can absorb

Not all clients have the same ability to pay the increased cost. Your client base will be unique to your practice, and you'll need to segment your clients into groups. Ideally the largest segment of clients will fall under your middle tier.

A general example of client segmenting

Client Type	Turnover	Tolerance	Margin
Simple sole trader (few transactions, single income source).	£50-85k	£50-80/quarter	Tight to unprofitable. Competing with free and low-cost tools.
Sole traders/landlords Mid-complexity, larger volume of transactions, some complexity but not structurally difficult. Vary massively in behaviour.	£85-150k	£100-200/quarter	Workable if processes are tight. Data quality is the swing factor.
Complex (property portfolios, multiple businesses, more touchpoints and tax planning needed).	£150k+	£200-400/quarter	Profitable. These clients need professional judgment and know it.

The free software reality

Your clients have more self-service options than ever:

- Monzo and Starling both offer free HMRC-recognised MTD tools built into their business banking.
- Sage, Clear Books, and My Tax Digital all have free tiers.
- FreeAgent is free for anyone with a NatWest, RBS, or Mettle account.
- And, bridging software lets clients submit quarterly updates straight from a spreadsheet.

None of these replace what a qualified accountant or bookkeeper does, and it's your job to sell the value you provide above DIY software.

The data quality tax

Consider how many of your clients submit clean data on time, and what it costs you when they don't. Can you build that risk into your pricing?

Some firms counteract this by implementing timing-based pricing tiers, which means they charge differently based on when clients submit their data. This shifts the incentive onto the client and protects your margin. For example, a £200 fee that is contingent on record submission by the quarterly deadline, would rise to £250 for late submissions.

The hard conversation: some clients aren't worth it

If a simple sole trader is paying you £80 a quarter and their data is consistently messy, you might be earning less than your hourly rate for the work. Most practices can't sustain that.

In these situations, you have options:

- 1. Standardise and automate:** Strip the service back to pure compliance, build a one-to-many system, and batch process.
- 2. Price up honestly:** Explain the real cost of the service. Some clients will accept it, some won't.
- 3. Refer out:** Point them toward the free self-service tools available to protect the relationship for when their needs grow.
- 4. Bundle differently:** If they're already a self-assessment client, show the combined cost and offer monthly billing. MTD shouldn't be a standalone conversation; it's part of the annual service.

Positioning Your Value

Your clients are going to hear about free and low-cost MTD options and some might be tempted to use a DIY approach with HMRC-recognised tools, Monzo and Starling, or opt for bridging software to submit from their old spreadsheets. So why, should they pay you? Because submission is the easy part, and what's hard is getting it right every time.

The three things clients pay for

1. Accuracy. Correct coding, proper categorisation. Most clients can't do it themselves, especially as complexity increases.

2. Tax efficiency. Maximising reliefs, timing income and expenses, structuring things properly. This is where you earn your fee back for the client many times over.

3. Peace of mind. Someone qualified is handling it. If something goes wrong, they're not on their own, and for many clients, this is the real product.

The tools do submissions. You do everything else

A free MTD tool will take whatever number your client enters and send it to HMRC. It won't apply professional judgment to whether that number is correct. It won't flag that they've coded personal expenses as business costs, it won't spot that their quarterly figures don't reconcile with their bank, and it won't tell them they're paying more tax than they need to.

That's the gap you fill. Not the submission itself, but the assurance that what's being submitted is accurate, complete, and optimised.

Frame it as risk, not cost

Most sole traders aren't thinking about MTD as a risk. Instead, they see it as admin and your job is to reframe that. You can ask:

- "If HMRC queries a return, do you know how to respond?"
- "Are you confident you're claiming everything you're entitled to?"
- "What happens if your quarterly figures don't add up at year-end?"

These are genuine questions that free tools can't answer. Your clients might try asking ChatGPT for tax guidance, and they might even get a reasonable-sounding answer. But it won't be tailored to their situation or recent HMRC guidance, and nobody carries professional liability for it.

Don't compete on price. Compete on what happens when things go wrong

The clients who choose the free tool to submit quarterly and get it right might never come back to you. That's fine. The ones who get it wrong, miss a deadline, receive an HMRC enquiry, or realise at year-end that their quarterly figures are a mess? They will come back, and they'll pay more than they would if they paid you from the start.

Rollout Checklist

The sections in this guide have walked through the commercial decisions that MTD for Income Tax demands – from calculating your velocity and designing your tiers, to segmenting your clients and sequencing your communications. This checklist pulls it all together into a single working reference to help you keep your roll-out on track.

Timeline

- Q1 2026:
 - Finalise tiers, build menus, train team.
 - Send updated proposals to mandated clients.
- Q2–Q4 2026:
 - Roll out to remaining base.
 - Review and refine.

Rollout Checklist

- Calculate your **Minimum Velocity**.
- Segment clients**, map client complexity and behaviour to the appropriate tiers for your client base.
- Design **Packages and Pricing Tiers**.
- Support internal alignment** with your team, making sure they understand the layers, tiers, and scope of each pricing package.
- Sequence communications** so mandated clients are communicated first, then follow with the next bands.
- Monitor tier acceptance**, capacity, and behaviour triggers, and adjust as needed.
- Accept inevitable losses**. Some clients may go DIY and that's okay. It frees capacity for more profitable clients.

