

# Making Tax Digital

*(Without Losing the Plot)*



A judgement-free guide to what actually needs action

with Harriet Formby MA ACA

1 April 2026



# About me

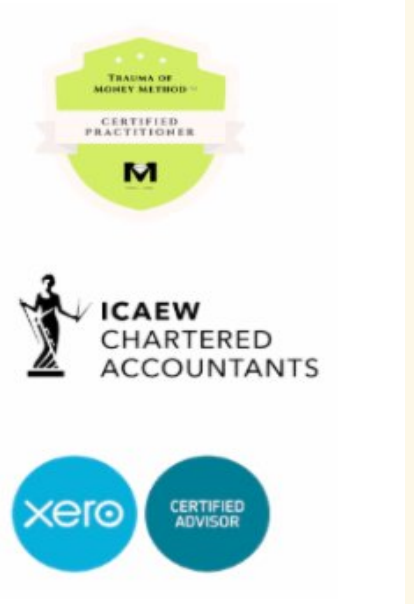


## Harriet Formby (she/her)

Fractional CFO, Chartered Accountant  
& Trauma-informed Money Coach

*I bring the commercial brain and the emotional intelligence to your finances – because the systems that made you feel bad about money were never built for people like us.*

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Before we dive in...

# How are you feeling about Making Tax Digital?

**Vaguely ominous**

I've heard of it but hoping it goes away

**Confused**

I don't really know what it means for me

**Ready to panic**

I know it's coming and I'm not prepared

**Quietly confident**

I think it's all in hand

*(All valid! That's why we're here.)*

# What we'll cover



- What Making Tax Digital actually is
- Does this affect me, and when?  
Including what changes from April 2026 and who it really applies to
- What counts towards the threshold (and what doesn't)
- "Should I just set up a Ltd company to avoid it?"  
(Spoiler: probably not just for that reason)
- What to do now, what can wait, and what's still unfolding
- Q&A - your questions answered

# What is Making Tax Digital?

## HMRC's plan to move tax reporting online

For self-employed people and landlords, this means:

- Digital record keeping  
(software, not shoeboxes)
- Quarterly updates to HMRC  
(summary of income and expenses)
- End of year declaration  
(replaces the annual self-assessment)



**It doesn't change how  
much tax you pay**

Just how often you report it

# Does this affect me?

MTD for Income Tax applies to sole traders and landlords based on gross income thresholds:

April 2026

**£50,000+**

gross income

April 2027

**£30,000+**

gross income

April 2028

**£20,000+**

gross income



**Gross income** = turnover before expenses. Your self-employment *and* property income are combined to check against these thresholds.

# What counts towards the threshold?

## COUNTS

- Self-employment income  
(gross turnover)
- UK rental income  
(gross rents)
- Overseas property income
- Multiple businesses combined

## DOESN'T COUNT

- PAYE employment income
- Dividends
- Pension income
- Savings interest
- Investment income

*£50k threshold: checked against 2024/25 return (due 31 Jan 2026). £30k threshold: checked against 2025/26 return (due 31 Jan 2027).*

# Who's exempt (or not included yet)?

## Not included (yet)

- Partnerships & LLPs  
(coming later, date TBC)
- Limited companies  
(MTD for CT cancelled)
- Trusts & estates
- Under-threshold earners

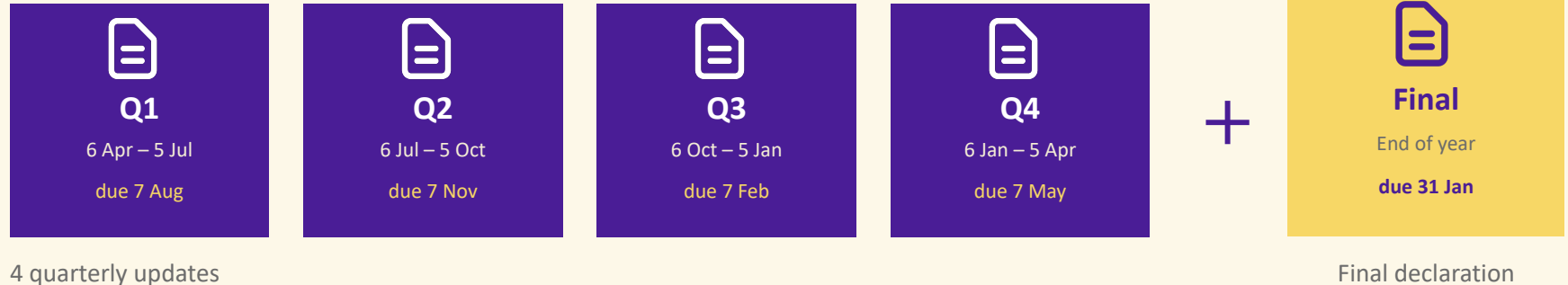
## Can apply for exemption

- Digital exclusion  
(age, disability, location)
- Religious objection to technology
- Foster carers  
(care income also excluded from threshold)



# If you qualify, what do you have to do?

## 5 filings per year



Tax is still payable at the same time as now – 31 January (and 31 July for payments on account)

## You must use MTD-compatible software

No more paper records or standalone spreadsheets.

Your records must be kept digitally and submitted through HMRC-approved software.

# What's the consequence of not doing it?

## New points-based penalty system

- Miss a quarterly deadline = 1 penalty point
- Reach 4 points = £200 fine
- Points can expire after 24 months if you get back on track

## But don't worry!

No one here is getting fined. It's all going to be fine. Fine, I say!

There is also a 'soft landing' — no penalty points for late quarterly updates in 2026/27.

# Should I set up a Ltd company to avoid this?

**The short answer: probably not, if MTD is your only reason.**

## It's true that...

Limited companies pay Corporation Tax, not Income Tax. HMRC has confirmed MTD for Corporation Tax is NOT happening. So yes, a Ltd company would avoid MTD for ITSA.

Plus, salary and dividends (the common way directors pay themselves) aren't covered by MTD either.

## But consider...

- Companies House filings & fees
- Annual accounts requirement
- Director responsibilities & payroll admin
- Higher accountancy costs
- Different (not always lower) tax
- You still need a personal self-assessment

I have a Google Sheet that compares sole trader vs Ltd side by side with your own figures - grab it here: [belowthelinefinance.co.uk/resources/should-i-go-limited-run-the-numbers](https://belowthelinefinance.co.uk/resources/should-i-go-limited-run-the-numbers)



# How will you know if you need to join?



## HMRC will write to you

After your 2024/25 tax return is filed, HMRC will review it.

If your gross income is over £50,000, you should receive a letter by March 2026 telling you that you need to join MTD.



## But it's your responsibility

Keep an eye on your gross turnover yourself - don't rely solely on the letter.

HMRC will NOT automatically register you. It's your responsibility to sign up (or your accountant can do it for you).

**Sign up as soon as you can - ideally before 6 April 2026**

Sign up here: [gov.uk/guidance/sign-up-your-business-for-making-tax-digital-for-income-tax](https://www.gov.uk/guidance/sign-up-your-business-for-making-tax-digital-for-income-tax)

*What if you cross £30k in 2025/26? You'll need to join MTD from April 2027.*

# Can I sign up early?



## Yes - you can voluntarily register for 2025/26

If you want to get ahead and test the system, you can sign up early.

This is great if you want to get used to it before it becomes mandatory.

The public beta is now open for voluntary registrations.

## Bear in mind...

If you sign up early, you'll need to complete all 4 quarterly updates plus the final declaration for that year. And once you're in, you're in – even if your income drops below the threshold the following year, you stay in MTD.

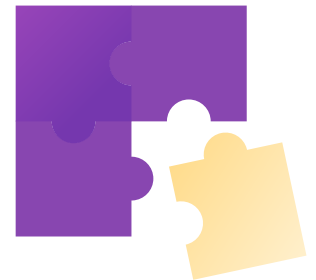
# Choosing your software

**Controversially, HMRC has not created free software for this**

You'd think they would, right? Seeing as this is mandatory. But no - it's down to the commercial market.

## What this means in practice:

- All major accounting software providers are building MTD-compliant updates (Xero, QuickBooks, Sage, FreeAgent, etc.)
- New challenger bank solutions are popping up
- Choose your software first, then sign up to MTD through it (you need software in place before you can submit)



# Example: Xero

(I'm a Xero fan girl - they don't pay me to say this or give me commission! But it means I can talk about what I know.)

## Xero Simple plan £7+VAT per month

Specifically designed for MTD for Income Tax - for non-VAT sole traders and landlords

Includes quarterly updates, final declaration, bank feeds, receipt capture (Hubdoc)

*Multiple income types? One Xero account can handle both sole trade AND rental income – no need for separate subscriptions*

## Simple

A new plan, specifically for non VAT businesses, with features designed for sole traders and landlords.

[Buy now](#) [Learn more](#)

### Simple

Usually £7

Now

£1.40

GBP per month excluding VAT

**Save £33.60 over 6 months**

- ✓ Send invoices and quotes
- ✓ Accept online invoice payments\*
- ✓ MTD for Income Tax ready
- ✓ Reconcile bank transactions
- ✓ Smart document capture
- ✓ View real-time reports
- ✓ Automate subcontractor CIS calculations and reports

**Currently 80% off for 6 months (£1.40+VAT/month) — check their site for latest offers.**

MTD resources: [xero.com/uk/programme/making-tax-digital](https://xero.com/uk/programme/making-tax-digital)

# What it looks like in practice

Screenshots from the Xero MTD beta

The screenshot shows the Xero MTD for Income Tax dashboard. The top navigation bar includes XERO, Cooke Plumbing, Home, Sales, Purchases, Reporting, Payroll, Accounting, Tax, and Contacts. The main header displays 'MTD for Income Tax (Beta)' and the period '6 Apr 2025 - 5 Apr 2026'. The left sidebar lists various categories: Overview, Tax report, Messages, Business income, Cooke Plumbing, Business summary, Income and expenses, Allowances and adjustments, Personal income and reliefs, and Savings and interest. The main content area is divided into three sections: 'To do' with a checkmark and the message 'You're all up to date'; 'Tax calculation' showing a total of **375.90** for the period '6 Apr 2025 - 5 Apr 2026', updated on 23 Nov 2025, with a note 'This value is an estimate. [How is it calculated?](#)'; and 'Tax obligations' with a table of quarterly obligations.

Quarter	Period	Status	Due Date
Q1 end	6 Apr - 5 Jul 2025	Filed	Fulfilled 7 Aug 2025
Q2 end	6 Apr - 5 Oct 2025	Upcoming	Due 7 Nov 2025
Q3 end	6 Apr 2025 - 5 Jan 2026	Upcoming	Due 7 Feb 2026
Q4 end	6 Apr 2025 - 5 Apr 2026	Upcoming	Due 7 May 2026

See your quarterly obligations + tax estimate

The screenshot shows the Xero MTD for Income Tax dashboard with the 'Income and expenses' section selected. The top navigation bar is the same as the previous screenshot. The main header displays 'MTD for Income Tax (Beta)' and the period '6 Apr 2025 - 5 Apr 2026'. The left sidebar is the same. The main content area shows 'Income and expenses' for the period '6 Apr - 5 Jul 2025'. A note states 'Totals are calculated using traditional accounting. [What is this?](#)'. Below this is a table of tax categories and their totals.

Tax category	Disallowable	Total
Turnover		13,500.00
Other income		550.00
<b>Total income</b>		<b>14,050.00</b>
Cost of goods bought for resale or goods used	0.00	4,500.00
Construction industry - payments to subcontractors	0.00	0.00
Wages, salaries and other staff costs	0.00	0.00
Car, van and travel expenses	0.00	68.00
Rent, rates, power and insurance costs	0.00	1,200.00

On the right side, there is a 'Send Q1 end update' button and a notification: 'Your next quarterly update is ready to send. This update will fulfil any previously outstanding obligations.' Below this is a 'Send to HMRC' button. At the bottom right, there is a 'Send to HMRC' button and a notification: 'Obligation: Q1 end **Done** Period: 6 Apr - 5 Jul 2025 Due: 7 Aug 2025'.

One click to submit to HMRC

## How it works:

- Run your bookkeeping as normal – income, expenses, adjustments all flow through
- When each quarter ends, review and submit – one click to send your figures to HMRC
- Add other income (savings interest, etc.) – there's space for everything on your tax return
- See your running tax estimate – know what you'll owe in January so you can plan ahead
- Final declaration at year end – you (or your accountant) submit the final figures

# Benefits of digital record keeping

Beyond just compliance, there are genuine upsides:

## Real-time visibility

See your profits and tax due as you go. Better planning, forecasting, and business decisions based on real data – not guesswork.

## Digital invoices

Send professional invoices with payment links built in

## No paper chaos

Store receipts and invoices digitally - no shoeboxes required

## Ready to scale

If VAT registration, hiring staff, or growth is in your plan - you're set up

# Other options: Challenger banks (e.g. Monzo, Starling)

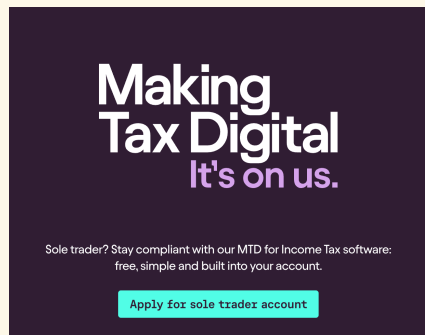
## Monzo Business

Monzo are building MTD directly into their app (powered by Sage). MTD filing FREE on all plans.

## Starling Bank

NOW LIVE: Free MTD tool built into their sole trader accounts.

*Both are HMRC-recognised and integrate directly with your bank account - no separate software needed.*



## Making Tax Digital software. It's in the bank.

Free, HMRC-recognised MTD software built into Monzo Business as standard. Ready to set up now in time for April.

Made for sole traders and landlords. You can check it's the right fit before applying.

[Check it's for you](#)

Making Tax Digital tool available for sole traders and landlords only. Only sole traders or limited company directors in the UK can apply for an account. Ts&Cs apply.



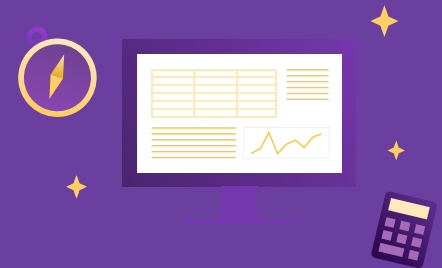
## If you already bank with Monzo or Starling...

Check out their built-in MTD tools - could be the simplest option if you're already a customer. Worth comparing before committing to separate accounting software. Or check them out if you're considering opening an account.

# What's still unfolding

## The software landscape is still evolving

- More providers and features will continue to emerge over coming months/years
- Other banks may announce their own MTD integrations
- Prices and features will continue to be refined
- Check out HMRC guidance



Get yourself prepared - but remember HMRC has confirmed a soft landing for the first year (no penalty points for late quarterly updates in 2026/27) obvs. still do it if you need to!

# Quick summary: Where are you?



## Over £50k in 2024/25?

- Register for MTD with HMRC asap  
(or get your accountant to do it)
- Choose your software and get set up  
(file 2025/26 the 'old' way in Jan 2027)
- First quarterly update due 7 Aug 2026
- (soft landing - no penalty points in year 1)



## Under £50k in 2024/25?

- Track your 2025/26 gross income  
(over £30k = join MTD from Apr 2027)
- Start exploring software options  
(good time to get organised!)
- Talk to your accountant  
(about what this means for you)

# Temperature check

How are you feeling about MTD after all that?



**"Still stressed"**

That's okay – let's use the Q&A to tackle your specific worries



**"Getting there"**

Good! You've got time and now you know what's coming



**"Actually fine"**

Great! You're more prepared than most. Let's talk next steps



# Questions!

Let's get into it – what's on your mind?



**below the** ®  
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# Let's chat!

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## EMAIL

[harriet@belowthelinefinance.co.uk](mailto:harriet@belowthelinefinance.co.uk)

