

# Preparing for MTD ITSA

*Understanding requirements, software choices, and key deadlines for compliance*

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## Introduction: What is MTD ITSA?

Making Tax Digital for Income Tax Self Assessment (MTD ITSA) is now in effect for the 2026/27 tax year. This represents the biggest change to the tax system in generations, replacing the annual Self Assessment tax return with quarterly digital updates. This guide helps you understand what is required, when you must comply, and how to prepare for a smooth transition.

**Top Tip:** MTD ITSA is now mandatory - do not delay in getting prepared. The deadlines are [here](#).

## Who Must Comply and When

MTD ITSA is being introduced in phases based on income thresholds:

### From April 2026

Self-employed individuals and landlords with gross income over £50,000 from self-employment and/or property must comply. This includes those with multiple income sources that together exceed the threshold.

- Based on gross income, not profit
- Threshold applies to combined self-employment and property income
- Each business or property is reported separately
- Employment income is excluded from the threshold calculation

### From April 2027

The threshold drops to £30,000, bringing many more taxpayers into the MTD ITSA regime.

## Exemptions

Some taxpayers are exempt from MTD ITSA requirements:

- Those below the current income threshold
- Digitally excluded individuals (with HMRC agreement)
- Trustees
- Personal representatives
- Non-UK resident landlords with UK property agents

## Key Requirements Under MTD ITSA

The new system introduces several changes to how you report your income and expenses:

### Digital Record Keeping

You must maintain digital records of all business income and expenses. Spreadsheets are permitted only if they link digitally to compatible software for submission.

- Records must be kept in digital form
- Paper records alone are not acceptable
- Must include date, amount, and category for each transaction
- Records must be retained for 5 years from the 31 January filing deadline

### Quarterly Updates

Instead of one annual return, you must submit updates to HMRC four times a year showing your income and expenses for each quarter. Deadlines are approximately one month after each quarter ends.

- 5 August (for April-June quarter)
- 5 November (for July-September quarter)
- 5 February (for October-December quarter)
- 5 May (for January-March quarter)

### End of Period Statement (EOPS)

After your accounting year-end, you must submit an End of Period Statement confirming that your quarterly updates are complete and accurate. This includes any year-end adjustments.

### Final Declaration

This replaces the current Self Assessment tax return. You confirm your total income from all sources, claim reliefs and allowances, and HMRC calculates your tax liability. Deadline is 31

January following the tax year.

## Choosing Compatible Software

You must use software that meets HMRC specifications. The main options are:

### Cloud Accounting Software

The major cloud accounting platforms are building MTD ITSA compliance into their products:

- Xero - comprehensive functionality for self-employed and landlords
- QuickBooks - user-friendly with strong mobile apps
- FreeAgent - designed for freelancers and contractors
- Sage Accounting - traditional brand with modern cloud features

### Specialist Tax Software

Some accountancy-focused packages are also suitable:

- TaxCalc - popular with accountants for tax compliance
- Taxfiler - MTD compliant with bridging capabilities
- BTCSoftware - specialist landlord and self-employment tools

### Bridging Software

If you want to keep using spreadsheets, bridging software can connect them to HMRC. However, you must ensure digital links with no manual data re-entry between your spreadsheet and the bridging software.

**Top Tip:** Check the official HMRC list of compatible software at [gov.uk](http://gov.uk) before choosing - not all products cover all scenarios.

## Practical Preparation Steps

Take action now to ensure you are ready when MTD ITSA applies to you:

- Review your current record-keeping processes and identify gaps
- Calculate whether you exceed the relevant income threshold
- Research and choose compatible software well in advance
- Set up your software and begin keeping digital records immediately
- Practice running quarterly reports to understand the process

- Talk to your accountant about how they will support you
- Build quarterly submission deadlines into your calendar
- Consider the impact on your cash flow - you will know your profit sooner
- Join HMRC pilot schemes if available to gain early experience

**Top Tip:** Starting to use MTD-compatible software now, even before you must, gives you time to learn the system without deadline pressure.

## Working with Your Accountant

MTD ITSA changes the relationship between you and your accountant. Instead of handing over a carrier bag of receipts once a year, you will need to keep digital records throughout the year. However, accountants can still provide valuable support:

- Helping you choose and set up compatible software
- Reviewing your quarterly submissions before filing
- Making year-end adjustments and preparing your Final Declaration
- Advising on tax planning based on real-time data
- Acting as your agent for submissions to HMRC
- Helping with complex situations like overseas income or capital gains

**Top Tip:** Discuss MTD ITSA with your accountant now - they may offer software training or managed service packages to support you through the transition.

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## Need Personalised Advice?

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