

MAKING TAX DIGITAL LAUNCHES BUT FEW ARE READY

Making Tax Digital for Income Tax is live - but with HMRC registration numbers still low, many sole traders and landlords are urgently seeking guidance on MTD compliance, reducing administrative burden, and choosing affordable or free compatible software.

LOW SIGN-UP

At the start of April, nearly 80% of those required to register for MTD had not done so. The problem is that many do not see any upside to keeping digital records and having to report figures to HMRC quarterly:

- A number of individuals will find getting records together for the annual self-assessment tax return difficult enough and will not relish complying with tight quarterly reporting deadlines.
- Because the MTD compliance threshold is based on income, there will be some who have to comply but will not even have a tax liability. They will almost certainly not want to incur additional agent fees for MTD compliance.

For many individuals, the best option might be to keep the minimum required records using a standard spreadsheet and then use free bridging software to deal with the quarterly reporting requirement. With the first quarterly update due on 7 August, now is the time to get organised.

SOFTWARE

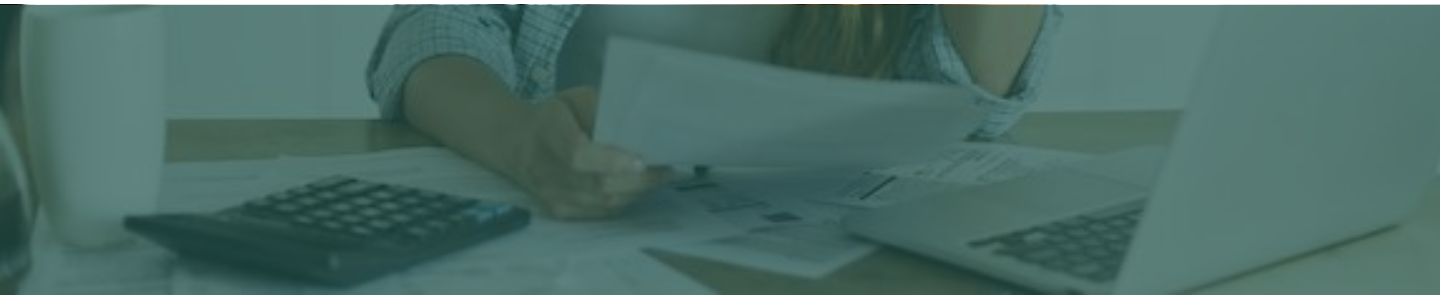
HMRC has created a software finder tool to direct taxpayers towards suitable software, including a number of free options. However, several of the available options are still at the development stage.

Software that imports information directly from the taxpayer's bank account may be the perfect solution for many sole traders and landlords, but not for those who are putting their business and/or letting income and expenditure through their personal bank account.

EXIT OPTIONS

The £50,000 MTD threshold from 6 April 2026 is based on income for 2024/25. There will be some individuals whose income has since fallen to below £50,000, and HMRC has now clarified when it is possible to apply to opt out of MTD.

Unfortunately, opting out is only possible where all sources of qualifying income have ceased; not the case if, for example, self-employment ceases, but there is still property income. Opting out of MTD can be done via HMRC's webchat, by telephone or by writing to HMRC.



The start point for finding software that works with MTD for income tax can be found [here](#).

WE CAN HELP

If you require further assistance, please contact us on 01753 888 211 or email info@nhllp.com, we are here to help.