

Preparing for Making Tax Digital

3-STEP CHECKLIST

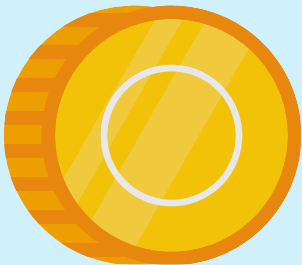
Make your move to Making Tax Digital (MTD) for Income Tax simple and stress-free.



When will Making Tax Digital for Income Tax apply to you?

Annual gross income from all sole trader businesses and rental properties combined

(This is based on what you made in the previous tax year, before expenses are taken off)

Sole traders and landlords with gross income over	Start date
 £50,000	April 2026
£30,000	April 2027
£20,000	April 2028



Not sure what your annual gross income is?

Review the figures submitted in your previous year's Self Assessment tax return. If you were close to the threshold, it's best to get set up early.

Still unsure? Don't worry, HMRC plans to contact people who need to move to MTD.

If you're not a sole trader or landlord (for example, a company or trust), different tax rules apply.

3-step checklist

Step 1 – Choose your software

You'll need to select HMRC-recognised accounting software. At a minimum, it must be able to:

- Keep digital records of your income and expenses
- Send quarterly updates to HMRC

To help you build good digital record-keeping habits for MTD, it can also help if your software lets you:

- Connect to your business bank account
- Capture receipts and store them digitally

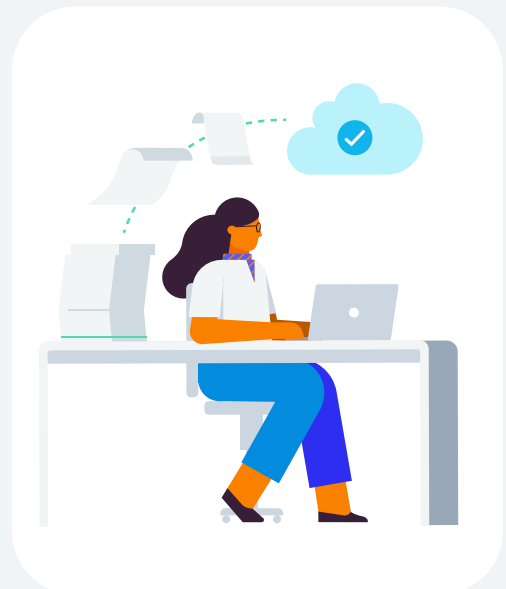


If you already use software for VAT, check that it's MTD-compatible for Income Tax too. If you're already using Xero, you're all set for the next step.

Step 2 – Sign up for Making Tax Digital for Income Tax

Once you're set up on your HMRC-recognised software, you'll need to sign up with HMRC for MTD for Income Tax – it's not automatic, so you or your advisor must do it. Have these details ready:

- Your business name and address
- Your National Insurance Number
- Your Business start date
- Your Accounting period and accounting type



Sign up early so you're set up before your first quarterly update.

Step 3 – Start early

Even if MTD doesn't apply to you yet, it's helpful to start using digital tools now. Try setting aside 15 minutes a week to:

- Record income and expenses as they happen
- Scan and store receipts
- Review your cash flow and put money aside for tax



The more you use your software now, the more confident you'll feel when MTD becomes mandatory.

Resources

If you need support with MTD, speak to your advisor, or you can find a trusted accountant or bookkeeper in the [Xero Advisor Directory](#).

You can also learn more about MTD for Income Tax and how Xero can help on [Xero's Making Tax Digital hub](#).



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