

How to Choose Accounting Software

A comprehensive buyer's guide for UK small businesses, sole traders, and limited companies.

1. Why Accounting Software Matters

Good accounting software saves time, reduces errors, keeps you HMRC-compliant, and gives you real-time visibility of your business finances. With Making Tax Digital (MTD) now mandatory for VAT-registered businesses and rolling out for Income Tax from April 2026, choosing the right software is more important than ever.

2. Key Features to Look For

Feature	Why It Matters
MTD Compliance	Must be HMRC-recognised for Making Tax Digital submissions
Bank Feeds	Automatic import of bank transactions saves hours of manual entry
Invoicing	Create and send professional invoices; track who has paid
VAT Returns	One-click VAT return submission directly to HMRC
Payroll	Run payroll, submit RTI to HMRC, and generate payslips
Expenses	Capture receipts by photo; categorise and claim expenses easily
Reporting	P&L, balance sheet, cash flow — available at a glance
Multi-Currency	Essential if you invoice overseas clients
Integrations	Connects with Shopify, Stripe, PayPal, CRM tools, etc.
Mobile App	Manage your finances on the go

3. Pricing — What to Expect

Software Tier	Monthly Cost (GBP)	Best For
Free tier	£0	Sole traders, very small businesses
Entry level	£6 – £15/mo	Freelancers, sole traders
Mid-range	£15 – £35/mo	Small businesses, growing companies
Advanced	£35 – £80/mo	SMEs with payroll and multi-user needs
Enterprise	£80+/mo	Medium/large businesses, ERP systems

4. Top UK Accounting Software at a Glance

Software	Best For	Starting Price	MTD
Xero	Small businesses	£7/mo	✓
QuickBooks	Versatile SMEs	£10/mo	✓
Sage Accounting	Established businesses	£18/mo	✓
FreeAgent	Freelancers & contractors	£0 (with NatWest)	✓
FreshBooks	Service businesses	£6/mo	✓
Zoho Books	Budget-conscious SMEs	Free	✓
Wave	Micro businesses	Free	✗
KashFlow	UK SMEs	£10/mo	✓

5. Red Flags to Avoid

- No HMRC recognition for MTD — check the HMRC software supplier list before buying
- No UK-based support — time zones matter when you have a VAT deadline tomorrow
- Pricing in USD only — watch out for hidden currency conversion costs
- No free trial — reputable providers offer at least 14–30 days free
- Lock-in contracts — most good cloud software is month-to-month
- No data export — you must be able to export your data if you switch
- Poor reviews on Trustpilot or G2 — check independent reviews before committing

6. Questions to Ask Before You Buy

- Is this software on HMRC's list of MTD-compatible products?
- Does it support my business structure (sole trader / limited company / partnership)?
- Can I import data from my current software or spreadsheets?
- Does it include payroll, or do I need a separate add-on?
- How many users are included in the price?
- What happens to my data if I cancel?
- Is there a UK-based support team I can call?

7. Making the Switch

The best time to switch accounting software is at the start of a new financial year or tax year. This minimises the need to migrate historical data and makes reconciliation simpler. Most providers offer free data migration assistance — always ask before you sign up.