

MTD for Income Tax — Readiness Checklist

A step-by-step checklist to prepare your business for Making Tax Digital for Income Tax.

1. Understand Your Obligations

- Confirm your gross income from self-employment/property exceeds the MTD threshold
- Note your mandation date (April 2026 for >£50k, April 2027 for >£30k)
- Check if you qualify for any exemptions (e.g. religious grounds, digital exclusion)
- Read HMRC's MTD for Income Tax guidance at gov.uk

2. Choose Compatible Software

- Identify HMRC-recognised MTD-compatible software (Xero, QuickBooks, FreeAgent, etc.)
- Confirm the software supports quarterly submissions and End of Period Statements
- Check the software can import your existing records
- Sign up for a free trial before committing

3. Set Up Digital Record-Keeping

- Open a dedicated business bank account if you haven't already
- Connect your bank account to your accounting software (bank feeds)
- Categorise all income and expense transactions digitally
- Ensure all receipts are captured digitally (photo or scan)
- Set up recurring transactions and rules to save time

4. Register with HMRC

- Sign up for MTD for Income Tax via your HMRC online account
- Authorise your software to connect to HMRC's MTD API
- Confirm your Government Gateway credentials are up to date
- Test the connection by viewing your HMRC obligations in the software

5. Understand Quarterly Submissions

Know your four quarterly submission deadlines (5 Aug, 5 Nov, 5 Feb, 5 May)

Understand what goes in each quarterly update (income & expenses summary)

Set calendar reminders for each quarterly deadline

Review your first quarterly submission with your accountant

6. End of Period Statement & Final Declaration

Understand the End of Period Statement (EOPS) — due by 31 Jan after tax year end

Know what adjustments are made at EOPS (e.g. capital allowances, overlap relief)

Understand the Final Declaration replaces the Self Assessment tax return

Confirm your accountant is set up to assist with EOPS and Final Declaration

7. Ongoing Compliance

Review your records monthly — don't leave it to the last minute

Keep all digital records for at least 5 years after the 31 January deadline

Update your software when HMRC releases new MTD requirements

Attend a free HMRC webinar on MTD for Income Tax