FEATURE

Getting ready for MTD and the software you need

MAKING Tax Digital (MTD) for Income Tax is on its way. The new HMRC system for keeping records and submitting tax returns comes into effect in April 2026 for self-employed people and landlords who have a turnover greater than £50,000 during tax year 2024/25.

Angela Haig, partner at EQ Accountants, explained: "MTD marks a move away from doing a yearly tax return, when you report all your property, income and expenses in one go. Instead, you do quarterly updates during the tax year, then a final return at year-end. It is at that point you list any other income, such as a pension or bank interest, and make any necessary adjustments."

The most important thing to bear in mind is that you must keep digital records.

Angela said: "Any landlord who currently gets rent payments paid straight into a bank account and doesn't keep proper records will have to change."

At the most basic level, that means an Excel (or similar) spreadsheet – you then use 'bridging' software to submit your details to HMRC.

Alternatively, you can use bookkeeping software that allows you to do record-keeping and make submissions.

"In both cases, you must use software approved by HMRC," Angela said. "While many providers claim to be 'MTD ready', some are more ready than others."

If you do not plan to use an agent for your tax affairs, below are some of the software products HMRC has approved, at the time of writing. //

Free software

Clear Books

Type: Software that creates digital records
Submissions: Quarterly updates, tax returns
Income sources: Sole trader, UK property
Website: ***bit.ly/MTDclear***

Clear Books offers free and paid-for versions. The free version is a basic option. It does allow you to submit quarterly updates to HMRC but the ability to submit end-of-year returns is said to be 'coming soon'.

QuickFile

Type: Software that creates digital records
Submissions: Quarterly updates, tax returns
Income sources: Sole trader, UK property
Website: ***bit.ly/MTDquick***

QuickFile has all-in-one software that allows landlords to manage their properties as well as their MTD commitments. Notably, it provides free accounting software for small- to medium-sized users, as well as a more feature-rich option that you have to pay for, targeted at larger or more complex businesses.

Self Assessment Direct

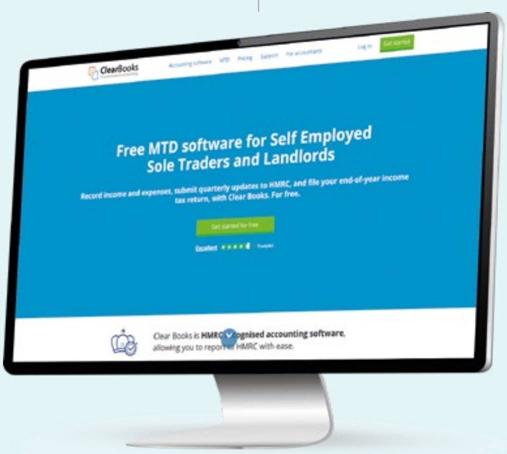
Type: Software that creates digital records and bridging software that connects to existing digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property, foreign property
Website: ***bit.ly/MTDsadirect***

Self Assessment Direct is a 'no frills' service that uses a system called Cirrostratus to help people get ready for MTD. Services are provided on a 'freemium' basis. In other words, the basic service, which allows you to make submissions to HMRC, is free. Additional services are chargeable. However, if you open an account early enough (the time limit is not specified), you will get some premium services for free.

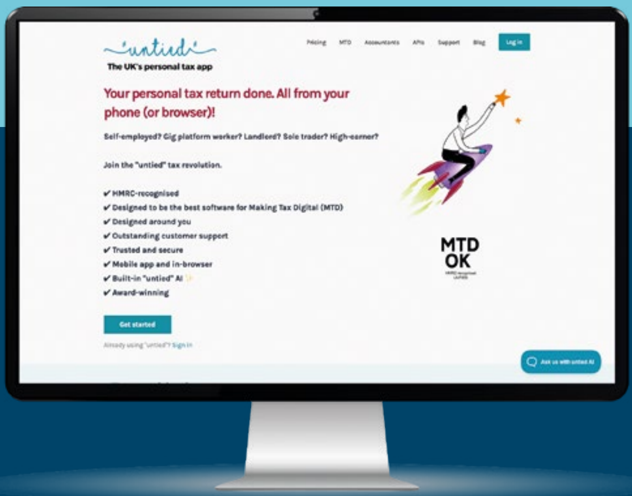
TaxNav

Type: Software that creates digital records and bridging software that connects to existing digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property, foreign property
Website: ***bit.ly/MTDtaxnav***

TaxNav claims to be purpose-built for self-employed people and landlords. It offers a free version during this tax year (2025/26) for individual taxpayers with simple tax affairs. To receive this, you have to enrol in the HMRC public pilot program before the end of 2025. Subscription plans are due to start in April 2026 for the 2026/2027 tax year at £5 per month.



PatMa Property Manager offers a free version for landlords with one unit (see page 18). Similarly, **@Coconut** and **FreeAgent** offer a free service if you operate certain bank accounts (see next pages).



Paid for software

"untied"

Type: Software that creates digital records and bridging software that connects to existing records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property, foreign property
Price £129.99 per year
Website: ***bit.ly/MTDuntied***

"untied" was developed in 2018 with MTD in mind. Notably, it's one of the few pieces of software that supports multiple MTD income sources and allows you to include other tax income and claims, such as pension, capital gains and gift-aid donations.

123 Sheets

Type: Software that creates digital records and bridging software that connects to existing digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property, foreign property
Price: £19.75 plus VAT per year for a single taxpayer
Website: ***bit.ly/MTD123sheets***

123 Sheets specifically markets itself as 'bridging software' that lets you submit your income and expenditure to HMRC as part of your quarterly MTD obligations. It is compatible with Sage and Quickbooks. However, you can also use it to create digital records. The options are to do your bookkeeping on its spreadsheet or link its worksheet to your existing software before uploading quarterly data to HMRC.

@Coconut

Type: Software that creates digital records and bridging software that connects to existing digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property, foreign property
Price: £9.95 per month, £99 per year or £0 if you have a Zempler bank account
Website: ***bit.ly/MTDcoconut***

Coconut is another piece of software built specifically to help with MTD and making the switch from traditional Self Assessment. It provides mobile app and desktop access and promises simple, clear steps to follow.

Absolute Excel Income Tax Filer

Type: Bridging software that connects to existing digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property
Price: From £40 plus VAT
Website: ***bit.ly/MTDabsolute***

If you currently use Excel spreadsheets to record income and expenses, you can use the Absolute Excel Income Tax Filer software to submit these to HMRC. It appears that the product has not been finalised. At this stage, the software is 'coming soon' and you simply have the option to register your interest on the firm's website.

Andica Accounting Software

Type: Software that creates digital records
Submissions: Quarterly updates
Income sources: Sole trader, UK property
Price: From £100 per year
Website: ***bit.ly/MTDandica***

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Andica has added the submission of quarterly MTD returns to its established bookkeeping solution. The company has a track record in producing accounting software for payroll, taxation, Self Assessment, partnership and Corporation Tax, among others. It prides itself on creating software that is ideal for SMEs.

The comprehensive approach includes the capability to cope with all types of ownership (partnership, limited company and so on) and all types of tenancy, including HMO and student lets.

ApariPro

Type: Software that creates digital records and bridging software that connects to your records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property
Price: £144 per year
Website: ***bit.ly/MTDapari***

Distinctively, ApariPro says it was the first to file an MTD for Income Tax return to HMRC. It makes a virtue of using AI tools to automate income tax preparation and filing, though other pieces of software also employ AI.

Clear Books

Type: Software that creates digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property
Price: £15 per month (small), £31 per month (medium), £41 per month (large)
Website: ***bit.ly/MTDclearb***

Clear Books offers both free and paid-for versions. The paid option has a more comprehensive range of services, including the facility to submit year-end returns.

FreeAgent

Type: Software that creates digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property
Price: £33 per month, £330 per year or £0 for certain bank accounts
Website: ***bit.ly/MTDfreeagent***

With FreeAgent you can make quarterly updates to HMRC but when it comes to year-end submissions, it offers only the opportunity to find an accountant who can help you with the task. Despite its name, you have to pay for FreeAgent, unless you have certain accounts with NatWest, RBS, Ulster Bank or Mettle, in which case it's free.

Hammock (see *bit.ly/SAL_Ham*)

Type: Software that creates digital records and bridging software that connects to existing digital records
Submissions: Quarterly updates, tax return
Income sources: UK property, foreign property
Price: £8 per month/£76.80 per year (basic), £15 per month/£144 per year (standard), £25 per month/£240 per year (plus) and £31.50 per month/£302.40 per year (beyond)
Website: ***bit.ly/MTDham***
Hammock is an 'all in one' software designed for managing your properties as well as making you compliant with MTD.

Intuit QuickBooks

Type: Software that creates digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property
Price: £10 per month (sole trader), £16 per month (simple start), £33 per month (essentials), £47 per month (plus) and £115 per month (advanced)
Website: ***bit.ly/MTDintuit***

QuickBooks is one of the market leaders in bookkeeping software and, as such, it offers a fulsome guide to the implications of MTD. The current website is less forthcoming about the exact MTD services on offer, although there is the opportunity to join QuickBooks' testing phase.

PaTMa Property Manager

Type: Software that creates digital records
Submissions: Quarterly updates
Income sources: UK property
Price: £15 per month for five units (pro version)
Website: ***bit.ly/MTDpatma***

PatMa's established property manager software has been updated to allow landlords to keep the correct digital records and make quarterly submissions to HMRC. The good news is that if you are operating just one property, you can use PatMa free. Alternatively, the 'Pro' version starts at £15 per month for five units.

Xero

Type: Software that creates digital records
Submissions: Quarterly updates, tax return
Income sources: Sole trader, UK property, foreign property
Price: £7 per month (simple), £16 per month (ignite), £37 per month (grow), £50 per month (comprehensive) and £65 per month (ultimate)
Website: ***bit.ly/MTDxero***

Xero is a popular bookkeeping and accounting product. Its scale allows it to provide a wide range of services and it has an easily accessible guide to MTD for landlords on its website. Despite its other capabilities, Xero does not provide bridging software that can link to other digital records.

Remember, many of the companies mentioned above provide discounted prices during the first few months of use and in some cases you can get as much as 90 per cent off the standard rate.

HMRC's website also lists software packages that are in development with new products being added regularly. For more information, please visit the HMRC website at ***bit.ly/MTDatHMRC***