

What's up with Making Tax Digital for Income Tax?

No group affected by the proposed changes to the tax regime is properly prepared: not advisors, not taxpayers – and not even HMRC themselves, says Robyn Milstead

According to HMRC and leading software providers, the outlook is exclusively positive as the countdown begins for the first mandated Making Tax Digital for Income Tax taxpayers (MTDITSA) in April next year. There's a strong sense of anticipation and confidence surrounding this milestone – or at least that's what they'll tell you.

Over the past year I have attended a number of webinars on the subject of MTDITSA and found myself increasingly irritable at this all-positive approach. As Tax Director of LKA Chartered Accountants, an award-winning, 18-employee firm in Surrey, the more I heard about how MTDITSA would transform MY life as well as “give my clients valuable information that will transform their businesses”, the more I wondered, who is writing this stuff? Of course, the answer is... HMRC and software developers.

Seeing red on a particularly lively webinar one day I decided to reach out to other professionals. So I founded a WhatsApp group specifically to share information on MTDITSA, to include the ability to raise and discuss the challenges we are facing as an industry because of it. The group, named MTD Therapy has more than 300 members. A large number of these are from small or single member companies with simple client bases – voices that were certainly not heard by HMRC on initial consultation.

So, what key issues are being overlooked? I'd like to highlight some of the concerns raised by the group in general – concerns that, I believe, reflect the views of a significant number of accountants, tax advisers and bookkeepers whose voices have, so far, gone largely unheard.

What are the benefits?

While it's fair to acknowledge that digital – or at least more frequent – bookkeeping can offer genuine advantages for some taxpayers, in my experience those who stand to benefit most have largely already received appropriate advice and made the shift. MTDITSA may capture a few remaining outliers, but I question whether it will bring meaningful benefits to the broader population. In fact, it may do the opposite. Forcing individuals to adopt unfamiliar systems increases the risk of errors and confusion, potentially complicating compliance rather than simplifying it.

Even for those who do find value in digital accounting software, the most widely known and user-friendly options are not free – and they are subject to price increases. So one must ask: are we talking about a benefit or simply a paid service?

To date, I have yet to hear a compelling, universally applicable case for MTDITSA that resonates with the realities faced by small businesses. Ultimately, the most significant outcome appears to be for HMRC themselves by quiet withdrawal of the free Government Gateway option for end-of-year filing – effectively outsourcing parts of its digital infrastructure to commercial software providers.

Increased workload concerns

For many practitioners, the prospect of moving from a single annual submission to at least five submissions under MTDITSA is overwhelming. The additional workload – not just in terms of filing, but also the time required to prepare and guide clients through the process – is considerable. Within our professional community we've observed genuine mental health concerns linked to the pressures of MTDITSA, with some individuals even contemplating early retirement as a result. It's deeply unfortunate to see such experienced and knowledgeable professionals consider leaving the industry due to the strain of these changes.

We're often told that MTDITSA presents a 'wonderful opportunity' to grow our businesses, but for many practitioners already operating at full capacity this is a difficult message to accept. The suggestion rings hollow when there's neither the time nor financial headroom to take on and train new staff, such as apprentices. The idea of approaching clients with a message that essentially says, 'Good news – you now have more compliance obligations, and I'll be charging you more', is not only commercially awkward but also ethically uncomfortable for many. Moreover, the time spent preparing clients for these changes rarely offers the same value-add as other advisory or strategic work that could be delivered in its place.

Everyone is underprepared

Despite years of discussion, the reality is that virtually no group – practitioners, HMRC, or software providers – is fully prepared for the rollout of MTDITSA:

Professionals: After a decade of shifting timelines and mixed messages, the profession is only now beginning to accept that MTDITSA may genuinely launch in April 2026. But acceptance is not the same as readiness. At industry Q&A events fundamental questions – such as whether partnership income is included – are still being raised. Some firms report that senior staff remain sceptical about whether the programme will actually proceed, and as a result junior colleagues are not receiving the support needed to begin educating and preparing clients.

HMRC: With fewer than nine months to go, beta testing participation remains alarmingly low, raising serious concerns about the robustness of the system ahead of its scheduled launch.

Software: As of writing, HMRC's own guidance page – 'Find software that works with Making Tax Digital for Income Tax' – lists just 22 available products, only four of which offer a free version. For the expected 750,000-plus taxpayers expected to be brought into MTDITSA from April 2026, this appears to be small pickings.

New penalty regime

Is the new penalty regime really an Improvement? HMRC bill it as much 'fairer' and 'more consistent' – aiming to encourage compliance rather than punish mistakes. However, these new penalties have been poorly advertised and have potential to result in much more punitive fines.

In addition, those who test the system are automatically thrown into the new penalty regime. While HMRC highlights that late submission penalties won't apply during the testing period – for example, a late 2024/25 return would accrue a penalty point rather than a £100 fine – this doesn't mean participants are fully protected. Taxpayers who joined the 24/25 beta who pay their January 2026 liability late and do not have a Time to Pay arrangement in place could still face significant penalties, despite participating in what is essentially a trial.

I was not prepared to ask any of my clients to join this testing – on principle, I would never ask them to volunteer for a system that could mean they are potentially disadvantaged.

Unrepresented a growing concern

Amid the growing anxiety within the profession it's difficult not to question how unrepresented taxpayers will manage the transition to MTDITSA. Letters now being sent to taxpayers hinting at the thought that they may need to apply Making Tax Digital had no strong call to action and are very likely to be ignored by the wider public – and just wait until they realise they can no longer meet their tax obligations by using their Government Gateway accounts!

Interestingly, in a recent poll of our group 35% said that better public awareness of MTDITSA would be the most helpful support in preparing for MTDITSA, second only to having more software available for testing (44%).

A digital step too far?

While HMRC and software providers continue to promote MTDITSA as a step forward for tax administration, the reality for many practitioners paints a far more complex and concerning picture. From questionable benefits and increased compliance burdens to inadequate preparation across all sectors and a penalty regime with hidden pitfalls, the initiative risks creating more problems than it solves, particularly for small practices, unrepresented taxpayers and potentially for HMRC themselves.

As it stands, MTDITSA appears less like a well-planned evolution and more like a rushed handover of responsibility from government to private software firms. Until serious issues of communication, accessibility and support are addressed, the profession – and the public – remain on uncertain footing.

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